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This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

NEW ISSUE

BELKIN

Belkin Inc.

$36,800,000
2,300,000 Non-Voting Shares

In the opinion of counsel, the Non-Voting Shares will be investments which qualify for investment under certain statutes as set out under ''Eligibility for Investment''.

The price of this issue has been determined by negotiation between the Company and the Underwriters. The purchase price of each Non-Voting Share exceeds the net tangible book value thereof at September 30, 1985 by $9.80, or 61.3% of the issue price, after giving effect to this issue. See ''Dilution''.

The Toronto Stock Exchange, the Montreal Exchange and the Vancouver Stock Exchange have conditionally approved the listing of the Non-Voting Shares. Listing is subject to the Company fulfilling all of the requirements of the exchanges on or before May 14, 1986, including distribution of the Non-Voting Shares to a minimum number of public shareholders.

Price: $16.00 per share

	Price to the Public	Underwriters' Fee	Proceeds to the Company (1)(2)
Per Non-Voting Share	$16.00	$0.88	$15.12
Total	$36,800,000	$2,024,000	$34,776,000

(1) Before deducting estimated expenses of the issue of $200,000. These expenses and the Underwriters' fee will be paid from the general funds of the Company.

(2) $4,981,000 of the proceeds of issue will be used for the redemption of Class A Preference shares and the payment of an extraordinary dividend on the Common Shares. Capital Enterprises Ltd., wholly-owned by Morris Belkin, owns all the Class A Preference shares and approximately 98% of the Common Shares. The Company will pay the extraordinary dividend and redeem the Class A Preference shares on March 7, 1986 by incurring short-term indebtedness that will be retired from the proceeds of issue.

We, as principals, conditionally offer the Non-Voting Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under ''Plan of Distribution'' and subject to the approval of certain legal matters on behalf of the Company by Ladner Downs, Vancouver, and on our behalf by Lawson, Lundell, Lawson & McIntosh, Vancouver.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or about March 10, 1986, which is expected to be the closing date of this issue. In any event, the closing date will be not later than April 3, 1986.

February 19, 1986

Belkin Inc.

Through Somerville Belkin Industries Limited, Belkin provides packaging to a wide range of consumer products companies.

Folding Cartons

Tobacco and Distilled Products

Food

Dairy Products

TABLE OF CONTENTS

Metric Conversion

To convert tonnes into short tons multiply by 1.10231.

Glossary of Terms

''boxboard'' is a non-corrugated multi-ply paperboard used in the manufacture of folding cartons;

''gypsum board'' is a paperboard manufactured for use as the facing material in wallboard;

''linerboard'' is a paperboard manufactured for use as the facing material when combining paperboard for conversion into corrugated containers;

''medium'' is a paperboard manufactured for use as the fluting material when combining paperboard for conversion into corrugated containers; and

''paperboard'' is a term used in the industry to describe heavy weight paper.

ELIGIBILITY FOR INVESTMENT

In the opinion of Ladner Downs and Lawson, Lundell, Lawson & McIntosh, the Non-Voting Shares at the date of original delivery will be eligible investments, without resort to the so-called ''basket'' provisions, but subject only to general investment conditions or restrictions applying to certain purchasers:

(i) for insurance companies registered under the Canadian and British Insurance Companies Act (Canada) or the Foreign Insurance Companies Act (Canada), insurance companies licensed under the Insurance Act (Ontario), and insurance companies governed by the Insurance Act (Alberta) or the Insurance Act (British Columbia);

(ii) for loan companies regulated under the Loan Companies Act (Canada), trust companies regulated under the Trust Companies Act (Canada), loan corporations and trust companies registered under the Loan and Trust Corporations Act (Ontario) and trust companies governed by the Trust Companies Act (Alberta);

(iii) for pension funds registered under the Pension Benefits Standards Act (Canada), the Pension Benefits Act (Ontario), the Pension Benefits Act (Alberta) or an Act respecting supplemental pension plans (Quebec); and

(iv) for trustees whose investment powers are governed by the Trustee Act (Ontario).

In the opinion of counsel the Non-Voting Shares will also be eligible investments for registered retirement savings plans, registered retirement income funds, and deferred profit sharing plans under the Income Tax Act (Canada).

PROSPECTUS SUMMARY

The Company

Belkin Inc. has operated profitably in every year since its inception in 1945 and is Canada's largest producer of paperboard packaging. Through its subsidiary Somerville Belkin, Belkin has a one-third share of estimated consumer-oriented paperboard packaging sales in Canada. Somerville Belkin produces folding cartons for food, beverages, detergents and paper products, cigarette and liquor packaging and is Canada's largest producer of ''Pure-Pak'' plastic-coated paperboard milk cartons. Customers include the major Canadian breweries and cigarette companies and many other large consumer products companies.

Belkin owns three paperboard mills and is Canada's largest user of recycled fibre from which it manufactures boxboard, medium, linerboard, construction paperboard and other industrial grades for use in other Belkin operations and for sale to others. Belkin also produces corrugated containers for the food, beverage, durable goods and shipping industries and manufactures business forms and envelopes. Belkin manufactures plastic packaging products such as checkstand grocery bags, frozen food bags, toilet roll wrap, tear-off produce bags, garbage and garment bags and liners for the fishing industry as well as automobile parts and injection-moulded plastic products such as margarine tubs.

The Offering

Offering: .... 2,300,000 Non-Voting Shares.

Price: .... $16.00 per Non-Voting Share.

Dividends: .... The Directors of the Company have approved a policy of paying semi-annual dividends on the Common Shares and Non-Voting Shares and have set the next semi-annual dividend at $0.0625 for each share.

Use of Proceeds: ... $29,795,000 of the net proceeds will be used to reduce long-term bank loans and $4,981,000 of the net proceeds will be used for the redemption of Class A Preference shares and the payment of an extraordinary dividend on the Common Shares. Capital Enterprises Ltd., wholly-owned by Morris Belkin, owns all the Class A Preference shares and approximately 98% of the Common Shares. The Company will pay the extraordinary dividend and redeem the Class A Preference shares on March 7, 1986 by incurring short-term indebtedness that will be retired from the proceeds of issue.

Voting Rights: ..... The holders of Non-Voting Shares will not be entitled to vote at, but will be entitled to receive notice of, to attend, and to speak at, shareholders' meetings.

Other Rights: ..... Holders of Common Shares may from time to time convert Common Shares into Non-Voting Shares on a share for share basis. The Non-Voting Shares will participate equally with the Common Shares in dividends and on a liquidation, winding-up or other return of capital. Subdivision and consolidation must apply equally to each Non-Voting and Common Share. See ''Common Shares and Non-Voting Shares''.

If a take-over bid, other than an exempt bid, is made for the Common Shares and not made for Non-Voting Shares, holders of Non-Voting Shares will be entitled to convert their Non-Voting Shares into an equal number of Common Shares in order to accept the bid on the same basis as the holders of the Common Shares unless holders of a majority of the outstanding Common Shares certify that they will not accept the bid. The right to convert also arises in the case of an issuer bid. See ''Common Shares and Non-Voting Shares''.

Selected Consolidated Financial Information (1)

	Year ended September 30,				
	1985	1984	1983	1982	1981
	(thousands of dollars, except per share amounts)				
Sales	$368,217	$323,789	$286,254	$281,645	$251,594
Income from operations before interest, depreciation and amortization	47,236	40,556	40,820	37,202	42,583
Net income	10,059	9,410	9,994	4,102	9,098
Total assets	281,234	281,005	232,675	239,912	245,438
Shareholders' equity	56,350	50,962	46,676	42,148	45,129
Earnings per common share					
Before extraordinary item (2)	$1.22	$1.00	$1.04	$0.21	$0.95
After extraordinary item (2)	$1.12	$1.00	$1.04	$0.21	$0.95

(1) The figures shown in this table are prepared as though the predecessor companies of Belkin Inc. had been amalgamated throughout these reporting periods. See "The Company".
(2) After giving effect to the exchange on a four for one basis on amalgamation on October 1, 1985.

Earnings Forecast

	Year ending September 30, 1986	
	After giving effect to this offering	Before giving effect to this offering
	(thousands of dollars, except per share amounts)	
Sales	$395,052	$395,052
Income from operations before interest, depreciation and amortization	51,557	51,557
Net income	14,403	13,239
Earnings per common and non-voting share	$1.47	$1.57

The reader is cautioned that some assumptions used in the preparation of the forecast, although considered reasonable by the Company at the time of forecast, will inevitably prove to be incorrect. The actual results during the forecast period will vary from the forecast results and the variations may be material. See "Summary of Significant Forecast Assumptions".

This is a summary only and should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this prospectus.

THE COMPANY

Belkin Inc. is the company continued by the amalgamation on October 1, 1985 of Belkin Packaging Ltd., Keycorp Industries Limited and Pioneer Envelopes Ltd. Its principal predecessor, Belkin Packaging Ltd., was originally incorporated on April 11, 1945 under the laws of the Province of British Columbia and was continued by amalgamation under those laws on October 23, 1969 with Belkin Industries Limited. The head office of Belkin Inc. is at 8255 Wiggins Street, Burnaby, British Columbia V3N 2V7. Its registered office is at Suite 2000, 700 West Georgia Street, Vancouver, British Columbia V7Y 1A8.

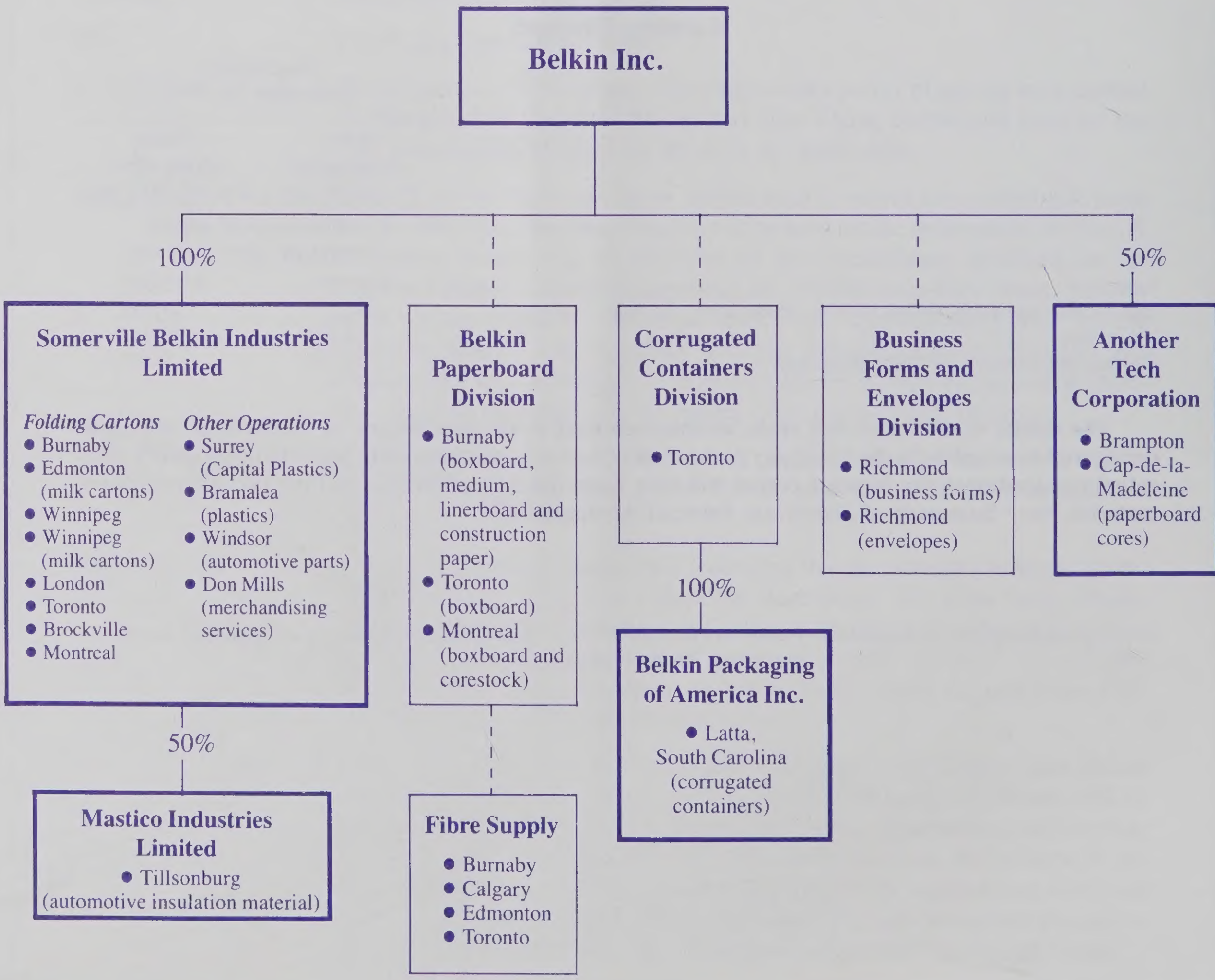
In this prospectus, the ''Company'' means Belkin Inc. and its predecessors, ''Somerville Belkin'' means Somerville Belkin Industries Limited and ''Belkin'' means the Company and its principal operating subsidiaries. These subsidiaries are Somerville Belkin, incorporated under the Canada Business Corporations Act, and Belkin Packaging of America Inc., incorporated under the laws of the State of Delaware. The Company owns all the issued common shares of both these subsidiaries.

Financial information in this prospectus is derived from the Consolidated Financial Statements that reflect the financial position, results of operations and changes in financial position as if Belkin Packaging Ltd., Keycorp Industries Limited and Pioneer Envelopes Ltd. had been amalgamated throughout the entire reporting period. See Note 1 to the Consolidated Financial Statements.

BUSINESS OF BELKIN

Organization

The operating divisions, subsidiaries and associated companies and their principal products are shown below:



History

The Company began 41 years ago when Morris Belkin founded a small folding carton operation in Vancouver and in each year its operations have been profitable. It has pursued acquisition and expansion opportunities that have significantly increased annual sales and broadened its product base. Belkin has successfully implemented a strategy of purchasing existing folding carton businesses and paperboard mills, upgrading and expanding their production capabilities and improving their profitability. The most significant of these acquisitions were the Burnaby paperboard mill in 1970, Somerville Industries Limited in 1977, and the folding carton and paperboard operations of The Continental Group of Canada Ltd. in 1981.

In 1970, the Company became an integrated producer of paperboard packaging with the acquisition of its paperboard mill in Burnaby, British Columbia from MacMillan Bloedel Limited. The annual rated capacity of this mill was subsequently expanded in two phases from 62,000 tonnes to 184,000 tonnes. Belkin expanded its corrugated container operations by constructing a new plant in Richmond, British Columbia in 1972 and establishing another plant in Edmonton in 1976. These plants utilized production from the Burnaby paperboard mill after completion of the second phase of the mill expansion in 1976. When Belkin subsequently sold its corrugated container plants to Domtar Inc. in 1980, Belkin entered into a long-term contract to ensure that the Burnaby mill would continue to supply the paperboard required by these plants.

In 1977, the Company became a national producer of paperboard packaging with the acquisition of Somerville Industries Limited from George Weston Limited. Somerville Industries Limited, now Somerville Belkin, operated folding carton plants in Montreal, London, Toronto, Brockville and Winnipeg, automotive component products plants at Scarborough and Windsor, a display materials plant at Don Mills and a plastic products plant at Bramalea. In 1979, Somerville Belkin purchased a folding carton plant adjacent to the Burnaby paperboard mill from MacMillan Bloedel Limited. In 1980, it established a new paperboard milk carton plant in Edmonton and closed its automotive components plant at Scarborough.

By 1981, Belkin was the largest integrated producer of folding cartons in Canada and in that year expanded its eastern Canadian operations by acquiring the paperboard and folding carton operations of The Continental Group of Canada Ltd., the only other integrated paperboard packaging company in Canada. These operations consisted of paperboard mills in Toronto and Montreal, and folding carton plants in Toronto, Winnipeg and Montreal.

In 1984, Somerville Belkin expanded its plastics packaging business by acquiring Capital Plastics' packaging plant in Surrey, British Columbia. Also in 1984, Belkin acquired a corrugated container plant in Latta, South Carolina from Packaging Corporation of America and opened a new corrugated container plant in Toronto which enabled Belkin to trade or utilize medium and linerboard produced in its Burnaby paperboard mill.

Somerville Belkin

Somerville Belkin is the largest producer of consumer-oriented paperboard packaging in Canada with a one-third share of estimated total annual industry sales of $550,000,000. Major users include the food, beverage, cigarette, dairy and paper products industries. Somerville Belkin has a diverse customer base with no single customer accounting for more than 9% of Somerville Belkin's sales in fiscal 1985. The following table shows Somerville Belkin's sales of products during the past five fiscal years:

	Year ended September 30,				
	1985	1984	1983	1982	1981
	(thousands of dollars)				
Sales					
General folding cartons	$112,491	$107,532	$ 99,830	$ 96,485	$ 79,144
Milk cartons and cigarette packaging	79,926	75,300	79,200	82,100	77,600
Plastic products	20,683 (1)	12,119 (1)	4,234	4,313	4,046
Automotive products	4,983	4,565	2,852	3,426	4,568
Other products	2,677	2,666	2,757	2,184	2,105
	$220,760	$202,182	$188,873	$188,508	$167,463

(1) Includes sales of the Capital Plastics Division acquired in April, 1984.

Folding Cartons

Somerville Belkin serves the Canadian paperboard packaging markets from plants located at Burnaby, Edmonton, Winnipeg, London, Toronto, Brockville and Montreal. The geographical diversification of Somerville

Belkin's plants helps in dealings with national accounts and allows Somerville Belkin to shift production among plants in order to maximize efficiency of production runs. The largest component of the paperboard packaging operations is the production of general folding cartons for food, beverages, detergents, paper products and other consumer goods. Its customers include the major Canadian breweries and cigarette companies and many other large consumer products companies. Using lithographic, flexographic and rotogravure printing processes, Somerville Belkin produces a wide variety of products with strong visual appeal and high quality colour printing. Somerville Belkin's position as one of Canada's two largest producers of cigarette packages demonstrates its ability to meet the high manufacturing standards and print quality required for the most quality-sensitive packaging applications. This ability has been enhanced by Somerville Belkin's acquisition in 1984 of the latest generation of rotogravure press for its Brockville plant which increased the capacity of this plant by more than 50%.

Somerville Belkin is Canada's largest producer of "Pure-Pak" plastic-coated paperboard milk cartons. It has expanded its markets by developing specialty products such as the "Durabox" shoe carton and the "Unipak" beer carton and by obtaining licences from international packaging companies for products such as the "ConvoCan" cylindrical ice cream carton. Somerville Belkin is the exclusive agent for the sale in Canada of Combibloc aseptic packaging equipment and packages. The Combibloc process sterilizes the contents of the package and provides for an extended shelf-life without refrigeration. This packaging will expand the present market for paperboard as a replacement for glass, plastic and metal packaging for liquids and solids such as soups, juices, concentrates, puddings and nuts.

Somerville Belkin is expanding its domestic and export markets by taking advantage of its growing capabilities in the folding carton industry. It exports cigarette and liquor packaging to the United States and the Caribbean region. It is also developing new package designs for the Canadian brewing industry and for the replacement of traditional metal foil and plastic containers with new forms of paperboard packaging.

Approximately 70% of the boxboard used to produce general folding cartons is obtained from the Company's paperboard mills. The integration of the folding cartons operations with the mills provides an assured customer for paperboard production and allows Belkin to be more responsive to the needs of its customers and to provide paperboard designed for their specific packaging applications. Solid bleached board for cigarette cartons and milk cartons is purchased from outside sources.

Other Operations

The Capital Plastics plant, acquired in April, 1984, produces polyethylene packages, wrappers and bags which are sold in British Columbia, Alberta and Saskatchewan. These products are sold as checkstand grocery bags, bread bags, frozen food bags, toilet roll wrap, tear-off produce bags, garbage and garment bags and liners for the fishing industry.

Somerville Belkin's Bramalea plant produces a wide range of plastic products by means of injection moulding, principally for use in the food industry as tub carriers for margarine and other food products. This plant also produces battery housings, safety razor cases, ballpoint pen casings, plastic cups, cutlery, disposable products for hospitals and laboratory use and plastic packaging.

At its plant in Windsor, Somerville Belkin manufactures various interior trim products for the automobile industry. The Don Mills plant produces point-of-purchase displays and trade show exhibits in plastic, paperboard, wire, metal and wood.

Belkin Paperboard

The Company operates paperboard mills at Burnaby, Toronto and Montreal with daily rated capacities of 540, 400 and 100 tonnes respectively for annual rated capacities of 184,000, 136,000 and 34,000 tonnes based upon a 340 day operating year. The mills in Toronto and Vancouver have the latest technology and equipment to produce paperboard utilizing recycled fibre making Belkin one of the lowest cost producers of paperboard in Canada. These mills produce boxboard, medium, linerboard, construction paperboard and other industrial grades from recycled fibre. The major sources of recycled fibre are old corrugated containers, newspapers and corrugated container clippings. The recycled fibre is processed through pulping, cleaning and refining equipment and is then formed into multi-ply paperboard to commercial standards.

The following table shows sales of paperboard products during the past five fiscal years:

	Year ended September 30,				
	1985	1984	1983	1982	1981
Sales Revenues (1)	(thousands of dollars)				
Boxboard	$ 79,901	$ 82,971	$ 74,178	$ 65,883	$ 38,787
Medium and linerboard	37,309	27,596	22,443	22,061	28,484
Gypsum board	10,702	19,077	8,894	7,119	9,378
Roofing felts	3,710	3,512	3,723	2,714	3,463
Other	12,773	11,935	10,345	9,837	7,783
	$144,395	$145,091	$119,583	$107,614	$ 87,895
Sales Volumes (1)	(tonnes)				
Boxboard	132,315	141,478	134,265	124,138	75,015
Medium and linerboard	75,782	59,011	57,081	53,924	71,064
Gypsum board	23,543	42,911	22,388	18,321	26,619
Roofing felts	11,475	11,078	11,964	9,058	11,658
Other	32,155	31,445	28,632	25,305	21,841
	275,270	285,923	254,330	230,746	206,197

(1) Includes intercorporate and interdivisional sales.

Burnaby Paperboard Mill

The three machines in the Burnaby mill produce a variety of paperboard products. The most recent expansion of this mill was the addition of a new paperboard machine in 1976 which represents more than 50% of the mill's annual rated capacity of 184,000 tonnes. This expansion was designed to accommodate a further increase in annual capacity of 50,000 tonnes by the addition of forming and drying equipment which can be implemented in stages to accommodate increases in market demand.

The mill's principal products are medium, linerboard, coated boxboard and construction paperboard. More than half of the medium and linerboard is sold under long-term contract. Construction paperboard is sold to a roofing plant owned by Domtar Inc. on an adjoining property under a long-term contract and to gypsum and roofing plants in British Columbia, Alberta and northwestern United States. Most of the boxboard produced by the Burnaby mill is used by Somerville Belkin in its folding carton plant located on the same property. Total sales from the Burnaby mill to purchasers under long-term sales contracts and to Somerville Belkin accounted for the majority of 1985 output and provide a stable customer base for the mill.

Belkin has made recent investments to increase capacity utilization and profitability at the Burnaby mill and to reduce its exposure to cyclical changes in demand for construction paperboard. To this end, the Company has sublet premises in Toronto and provided financing to the tenant for the purchase of new corrugating equipment. As part of this arrangement the Company supplies substantially all paperboard requirements for this plant under a long-term contract.

Toronto Paperboard Mill

Built in 1975, the paperboard machine in the Toronto mill is committed to the production of coated boxboard. While Somerville Belkin is its largest customer, the mill also sells boxboard to a wide range of customers. Situated in downtown Toronto, the mill is well located both to serve most of the major Canadian producers of folding cartons and to access recycled fibre.

Montreal Paperboard Mill

The Montreal mill produces box partitions, uncoated boxboard and corestock, which is used as the rigid centre to support heavy rolled materials such as newsprint, paperboard, carpet and textiles. Belkin has a long-term sales agreement with Another Tech Corporation for a substantial portion of the production from this mill.

Fibre Supply

Belkin, the largest user of recycled fibre in Canada, operates paper collection and baling facilities in the metropolitan areas of Vancouver, Edmonton, Calgary and Toronto. It enters into fibre supply contracts with dealers, leases baling equipment to long-term suppliers and undertakes community paper collection programs. In eastern

Canada, the majority of the recycled fibre is purchased under a long-term contract from a large independent dealer supplying material from sources in eastern Canada and northeastern United States. In 1983, Belkin extended its own baling and collection operations into Toronto in order to develop further Canadian sources for recycled fibre.

Prices for recycled fibre, while subject to fluctuations similar to those of market pulp, have always been significantly lower than market pulp prices. The Company has always had a sufficient supply of recycled fibre to operate its mills and management believes that the existing facilities and contractual arrangements can be maintained and augmented to provide an adequate supply of fibre for future operations.

Corrugated Containers

Belkin has two corrugated container plants, one in Latta, South Carolina which was acquired in 1984, and a second in Toronto which commenced operation in October, 1984. These plants produce corrugated containers for the food, beverage, durable goods and shipping industries. These plants, directly or through trade arrangements, utilize linerboard and medium produced at the Burnaby mill.

In fiscal 1985, sales from the corrugated container plants were $30,436,000.

Business Forms and Envelopes

The Keystone Business Forms Division of the Company at its plant in Richmond, British Columbia, produces continuous computer forms, multi-part purchase orders, sales invoices and other business forms. It maintains sales offices and warehouse facilities in Edmonton and Calgary. The Pioneer Envelopes Division produces business envelopes at its plant in Richmond, British Columbia.

In fiscal 1985, sales from these divisions were $13,822,000.

Capital Expenditures and Acquisitions

Capital expenditures and acquisitions for the five fiscal years ended September 30, 1985 were as follows:

	Year ended September 30,				
	1985	1984	1983	1982	1981
	(thousands of dollars)				
Acquisitions	—	$13,938	—	—	$48,133
Plant improvements and additions	$10,919	13,254	$2,187	$8,959	9,878
	$10,919	$27,192	$2,187	$8,959	$58,011

The 1981 acquisition was the Canadian paper operations of The Continental Group of Canada Ltd. In 1984, Somerville Belkin acquired the fixed assets and business of the Capital Plastics Division of Capital Enterprises Ltd. for $3,314,000 and assumed a long-term lease of the plant which is owned by Morris Belkin. See ''Principal Holder of Shares''. Rent payable under the lease is at market rates. Also in 1984 Belkin purchased the fixed assets and business of the corrugated container plant owned and operated by Packaging Corporation of America at Latta, South Carolina for $7,980,000 U.S.

The principal plant improvement expenditure in 1981 was the $6,000,000 expansion of the Brockville plant that included the addition of a second rotogravure press, doubling plant productive capacity. In 1982, the capital expenditure program was principally directed at improving the cleaning capacity of the Toronto mill at a cost of $3,000,000. In 1984, plant improvement expenditures were directed principally to further expansion of the Brockville plant at a cost of $4,500,000 and to establishing a new corrugated container plant in Toronto at a cost of $2,500,000. In 1985, the major plant improvement expenditures were for the installation of a sixth paper former and disperging system in the Burnaby paperboard mill at a cost of $2,700,000 and a new printing press in the Latta plant at a cost of $1,400,000.

Planned expenditures for plant improvements and additions for 1986 total $8,500,000.

Human Resources

Approximately 2,650 people are employed by Belkin, of whom 70% are represented by industrial unions. There are 22 collective agreements covering the unionized employees. Ten of these agreements expire in 1986 and two agreements that expired in 1985 are in the process of renegotiation.

Since 1975, there has only been one major labour dispute that stopped any of Belkin's plant operations. That was an industry-wide strike in 1979 that disrupted a significant portion of the folding carton industry in eastern Canada. This strike lasted for five and one-half months and affected the London and Montreal plants.

Environmental Protection

Belkin is subject to various laws and regulations governing emissions and disposal of gaseous, liquid and solid wastes. Its packaging plants and the Montreal paperboard mill generally meet existing environmental standards. The Toronto paperboard mill now generally meets existing environmental standards following completion in January, 1986 of a remedial capital expenditure program of approximately $300,000.

When the new paperboard machine was installed in the Burnaby paperboard mill in 1976, it included effluent treatment equipment designed to enable the mill to meet stringent standards of the provincial and federal authorities. The mill is able to meet these standards with certain exceptions and Belkin and its consultant are conducting pilot studies to ascertain how the Burnaby mill can consistently meet all the standards. The cost of any remedy will not be known until the studies are complete but management believes that the cost will not be material.

Principal Properties

The following table sets forth the location, principal products and plant size of Belkin's manufacturing facilities:

Location	Principal Products	Plant size (sq. ft.)
The Company		
Toronto	Paperboard	484,000
Burnaby	Paperboard	207,400
Montreal (1)	Paperboard	163,200
Calgary (1)	Baled recycled fibre	10,000
Edmonton	Baled recycled fibre	9,600
Toronto (1)	Corrugated containers	62,600
Richmond (1)	Business Forms	50,000
Richmond (1)	Envelopes	32,000
Somerville Belkin		
Toronto	Folding cartons	340,000
London	Folding cartons	323,600
Montreal	Folding cartons	225,100
Winnipeg	Folding cartons	172,000
Burnaby	Folding cartons	132,600
Brockville	Folding cartons	110,000
Edmonton (1)	Folding cartons	38,700
Winnipeg (1)	Folding cartons	22,000
Windsor (1)	Automotive products	110,800
Bramalea (1)	Plastics	65,400
Surrey (1)	Flexible plastic packaging	61,000
Don Mills (1)	Merchandising services	21,000
Belkin Packaging of America Inc.		
Latta	Corrugated containers	176,000

(1) In leased premises. The Montreal paperboard mill is leased under a perpetual lease for nominal rent paid to descendants of the original owner. The Calgary and Surrey plants and the Richmond envelope plant are leased from Morris Belkin. See "Principal Holder of Shares".

(2) All properties are subject to the mortgages and charges described in Note 9 to the Consolidated Financial Statements.

Associated Companies

Somerville Belkin and Globe Industries Inc., a Chicago-based corporation, each owns 50% of the shares of Mastico Industries Limited. Mastico manufactures insulation and sound-deadening materials for automotive and industrial applications at its plant in Tillsonburg, Ontario. The plant was expanded in 1985 to produce a new moulded product under an agreement with Globe Industries Inc.

The Company owns 50% of the shares of Another Tech Corporation (Coretech) that manufactures paperboard cores primarily for use in the paper industry at its plants in Brampton, Ontario and Cap-de-la-Madeleine, Quebec.

In fiscal 1985, sales by associated companies were $23,840,000.

RISK FACTORS

Belkin's operations, in common with other producers in the paperboard and packaging industry sectors, are subject to business risks resulting from fluctuations in interest rates, foreign competition, technological change, changes in environmental standards, labour disruption and changes in the level of economic activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Operating Results

The following table shows consolidated sales and earnings record by industry segment for each of the fiscal years 1982 to 1985:

	Year ended September 30, (1)			
	1985	1984	1983	1982
	(thousands of dollars, except per share amounts)			
Sales Revenues				
Paperboard	$144,395	$145,091	$119,583	$107,614
Folding cartons	192,417	182,832	179,030	178,585
Other operations	72,600 (2)(3)	39,618 (2)	20,534	22,962
Total Sales	409,412	367,541	319,147	309,161
Less internal sales	41,195	43,752	32,893	27,516
	$368,217	$323,789	$286,254	$281,645
Operating Profit				
Paperboard	$ 24,331	$ 26,545	$ 22,567	$ 20,562
Folding cartons	19,272	12,980	16,149	16,796
Other operations	2,427 (2)(3)	2,055 (2)	1,811	1,043
Total Operating Profit	46,030	41,580	40,527	38,401
Adjustment for deferred profit recognition on internal sales	1,206	(1,024)	293	(1,199)
Income from operations before interest, depreciation and amortization	$ 47,236	$ 40,556	$ 40,820	$ 37,202
Income before extraordinary item	$ 10,854	$ 9,410	$ 9,994	$ 4,102
Net income	10,059	9,410	9,994	4,102
Earnings per common share				
Before extraordinary item	$ 1.22	$ 1.00	$ 1.04	$ 0.21
After extraordinary item	$ 1.12	$ 1.00	$ 1.04	$ 0.21

(1) The figures shown in this table are prepared as though the predecessor companies of Belkin Inc. had been amalgamated throughout these reporting periods. See "The Company".

(2) Includes results from the Capital Plastics plant acquired in April, 1984 and the Latta corrugated container plant acquired in May, 1984.

(3) Includes results for the corrugated container plant opened in October, 1984.

1983 Operations

Despite severe economic conditions throughout 1983 sales revenues increased marginally due principally to higher sales volumes of paperboard. Net income for 1983 increased by 144%, to a new high of $9,994,000 and net income per Common Share increased by 395% to $1.04 per Common Share. The paperboard mills in Toronto and Montreal operated at higher levels with backlogs of orders in the second half of the year contributing to a 10% increase in paperboard mill operating profits in 1983. While the plant consolidation programs undertaken in the previous year had a favourable effect on operating costs, operating profits from folding carton operations declined by 4% due to extremely competitive industry conditions. Interest expense decreased by $7,076,000 largely as a result of lower rates.

1984 Operations

In 1984, sales revenues increased by 13% over 1983 to $323,789,000, principally because of the acquisition of the Latta corrugated container plant and the flexible plastic packaging plant in Surrey and increased sales from the Burnaby paperboard mill. Net income, however, fell by 6% to $9,410,000 reflecting the continuing sluggish economy and severe price competition in general folding carton markets in eastern Canada. Net income per Common Share fell by 4%.

During this period the Burnaby and Montreal paperboard mills experienced improved performance. The Burnaby mill increased production by 17% over 1983. The Toronto and Montreal mills continued to operate with

substantial backlogs of orders. The significant improvement in Burnaby mill operations was partially offset by start-up problems of new cleaning equipment at the Toronto mill. In spite of these problems, operating profit in the paperboard segment rose by 18% over the preceding year.

Although revenues from sales of folding cartons increased, operating profits from this segment were 20% lower than 1983. This resulted principally from price competition in general folding cartons in eastern Canada. Revenues in the other products segment increased by 93% over the results for the previous year reflecting Belkin's investment in new businesses. Operating profits from this segment were only up 13% due to competitive market conditions.

1985 Operations

In 1985 sales revenues rose by 14% to $368,217,000 largely as the result of expanded corrugated container operations. Total paper mill production declined by 4% principally due to reduced residential construction demand for gypsum board early in the year. This resulted in an 8% drop in operating profits in this segment. Increased sales of medium and linerboard to the expanded corrugated container operation reduced the impact of cyclical gypsum board demand. Somerville Belkin's sales included the flexible plastic packaging operations in Surrey acquired in April, 1984 and increased sales from the new eight-colour rotogravure press that commenced operation at the Brockville plant in February, 1985.

Cost reduction programs and improved profit margins on sales of folding cartons combined to increase folding carton operating profit by 48%. This improvement was particularly apparent in the second half of the year. Income before extraordinary item improved by 15% to $10,854,000 or $1.22 for each Common Share. An extraordinary loss of $0.10 for each Common Share incurred on the write-off of an investment in the Canadian Commercial Bank resulted in net income of $10,059,000.

Three Months ended December 31, 1985

For the first quarter ended December 31, 1985 sales were $92,965,000 which represented a 13% increase over sales of $82,264,000 during the corresponding period of the previous year. Net income for the three months ended December 31, 1985 totalled $2,102,000 compared with $1,018,000 for the same period in 1984. Earnings per Common Share were $0.22 during the first quarter as compared to $0.07.

Belkin is actively pursuing a strategy of acquiring existing folding carton plants that serve new market areas in Canada and the United States and expanding its packaging operations and products.

EARNINGS FORECAST

The preparation of the following Forecast Statement of Income and Summary of Significant Forecast Assumptions was completed by the Company's management in January, 1986 and approved by the Executive Committee of the board of directors of the Company on January 10, 1986. The forecast is based on actual results for two months and forecast results for ten months. Each quarter the forecast will be reviewed and, if any material change occurs, updated and any update will be distributed with the Company's financial statements during the forecast period.

The forecast has been prepared in accordance with the Accounting Guideline issued by The Canadian Institute of Chartered Accountants relating to the presentation and disclosure of financial forecasts. The forecast reflects management's judgment of the Company's most probable results.

The reader is cautioned that some assumptions used in the preparation of the forecast, although considered reasonable by the Company at the time of forecast, will inevitably prove to be incorrect. The actual results during the forecast period will vary from the forecast results and the variations may be material.

BELKIN INC.

Forecast Statement of Income
(thousands of dollars, except per share amounts)

	Year ended September 30,		
	1986 (Forecast after giving effect to this offering)	1986 (Forecast before giving effect to this offering)	1985 (Actual)
Sales	$395,052	$395,052	$368,217
Cost of sales and operating expenses	313,334	313,334	292,285
	81,718	81,718	75,932
Other expenses			
Selling and administrative	30,161	30,161	28,696
Interest on long-term debt	13,027	15,024	14,832
Other interest	2,033	2,033	3,013
Depreciation and amortization	12,761	12,761	11,815
	57,982	59,979	58,356
Income from operations	23,736	21,739	17,576
Other income			
Equity in net income of 50%-owned companies	969	969	619
Gain on sale of fixed assets	—	—	27
	969	969	646
	24,705	22,708	18,222
Income taxes	10,302	9,469	7,368
Income before extraordinary item	14,403	13,239	10,854
Extraordinary item	—	—	795
Net income	$ 14,403	$ 13,239	$ 10,059
Income from operations before depreciation and amortization	$ 36,497	$ 34,500	$ 29,391
Earnings per common and non-voting share			
Before extraordinary item	$ 1.47	$ 1.57	$ 1.22
After extraordinary item	$ 1.47	$ 1.57	$ 1.12

Summary of Significant Forecast Assumptions

The following assumptions form an integral part of the Forecast Statement of Income and include all significant assumptions on which it is based.

General

- The accounting policies described in Note 2 to the Consolidated Financial Statements have been followed in the preparation of the forecast.
- The forecast is stated in Canadian dollars, using an exchange rate of $1.37 Canadian for $1.00 U.S., where applicable.
- Inflation is assumed to average 4½% over the forecast period.
- Net proceeds of the issue of Non-Voting Shares will be $34,776,000 and will be used as follows:
    (a) $2,471,000 to fund an extraordinary dividend;
    (b) $2,510,000 to fund the redemption of all the Class A Preference shares; and
    (c) $29,795,000 to reduce long-term bank debt.

  See "Use of Proceeds".
- Belkin's operations will not be disrupted by any labour dispute during the forecast period.
- There will be no material change in the assets of the Company during the forecast period.

Sales

- Sales will increase by approximately 7% and of this, price increases averaging approximately 3% are forecast to contribute $12,000,000 of the increase in sales. A portion of these price increases has been achieved.
- Volume increases for the forecast period relate to increased sales of folding cartons, including increased export sales, and increased sales of corrugated containers.
- No significant changes in product mix will occur during the forecast period.

Cost of sales and operating expenses

- Increases in labour and raw material costs will not exceed the assumed inflation rate.
- Cost of sales and operating expenses will decline slightly as a percentage of sales as volume increases will not impact the fixed component of these costs.

Selling and administrative expenses

- Selling and administrative expenses are based on the experience of previous years. Increases in the forecast period over the previous year relate primarily to inflation.

Interest expense

- Interest expense is calculated based on an average prime rate of 10½% per annum during the forecast period.

Depreciation and amortization

- Depreciation and amortization is calculated at rates utilized in previous years.
- Fixed asset additions for the forecast period will be $8,500,000, directed at modernizing and improving existing operations.

Income taxes

- Belkin's effective income tax rate in the forecast period will increase from 40.3% to 41.7%, primarily as a result of the corporate surtax of 5% of federal income tax payable for the eighteen month period ending December 31, 1986.

Net income attributable to Common and Non-Voting Shares

- Dividends on Preference shares of $1,291,000 will be paid.

Auditors' Comments on Forecast Statement of Income

To the Directors of Belkin Inc.

We have reviewed the foregoing financial forecast of Belkin Inc. consisting of a statement of income for the year ending September 30, 1986. Our review was performed in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants and accordingly consisted primarily of such procedures as enquiry, comparison and tests of compilation as we considered necessary in the circumstances.

Based on our review, in our opinion this financial forecast is compiled on the basis of the assumptions and accounting policies disclosed in the foregoing notes and is presented in accordance with the applicable Accounting Guideline issued by The Canadian Institute of Chartered Accountants.

We do not express an opinion as to whether the results for the forecast period will approximate those forecasted because this financial forecast is based on assumptions made by management regarding future events which, by their nature, are not susceptible to substantiation.

Vancouver, Canada
February 19, 1986

(signed) Thorne Riddell
Chartered Accountants

CONSOLIDATED CAPITALIZATION

	Authorized or to be Authorized	Outstanding at September 30, 1985 (1)	Outstanding at December 31, 1985	Outstanding at December 31, 1985 after giving effect to this issue
		(thousands of dollars)		
Secured Short-Term Debt				
Belkin Inc.				
Bank advances and bankers' acceptances (2)	—	$ 9,328	$ 8,723	$ 8,923
Somerville Belkin Industries Limited				
Bank advances and bankers' acceptances (2)	—	11,653	13,909	13,909
Belkin Packaging of America Inc.				
Bank advances (2)	—	—	528	528
Current portion of long-term debt	—	6,279	8,910	7,105
		27,260	32,070	30,465
Long-Term Debt				
Belkin Inc.				
Bank term loan (3)	$15,270 (US)	20,128	21,409	21,409
Bank term loan (3)	46,325	37,500	46,325	16,530
Bank term loan (4)	5,603	5,522	5,396	5,396
Income Debenture (3)	16,000	6,000	—	—
Promissory note (5)	2,428	1,214	1,214	1,214
Promissory note (5)	2,980 (US)	3,274	3,342	3,342
Capital leases	—	5,369	5,745	5,745
Bank advances and bankers' acceptances (2)	—	3,670	—	—
Somerville Belkin Industries Limited				
10.5% mortgage, due 1978 to 1998	1,300	1,070	1,056	1,056
8.5% Series A Debentures, due 1973 to 1993 (6)	8,000	5,571	5,416	5,416
13.875% Series B Debentures, due 1986 to 1998 (6)	20,000	20,000	20,000	20,000
Capital leases	—	8,121	7,848	7,848
Belkin Packaging of America Inc.				
Industrial Revenue Note	6,000 (US)	7,897	7,886	7,886
Capital leases	—	1,532	1,560	1,560
		126,868	127,197	97,402
Less: Current portion of long-term debt		6,279	8,910	7,105
		120,589	118,287	90,297
Deferred Income Taxes (7)	—	38,144	38,144	38,144
Minority Interest				
Somerville Belkin Industries Limited				
Preference shares (7)(8)	—	602	602	602
Shareholders' Equity				
Class A Preference shares, 8% non-cumulative, par value of $1 each, redeemable at $100 each	25,100 shs.	25 (25,100 shs.)	25 (25,100 shs.)	—
Class B Preference shares, cumulative, redeemable 1981 to 1990 at par value of $1000 each (9)	6,191 shs.	6,191 (6,191 shs.)	6,191 (6,191 shs.)	6,191 (6,191 shs.)
Class C Preference shares, 8% cumulative, redeemable at par value of $100 each	5,790 shs.	579 (5,790 shs.)	579 (5,790 shs.)	579 (5,790 shs.)
Class D Preference shares, 10% cumulative, redeemable 1982 to 1989 at par value of $100 each	90,000 shs.	9,000 (90,000 shs.)	9,000 (90,000 shs.)	9,000 (90,000 shs.)
Class E Preference shares without par value issuable in series	20,000,000 shs.	—	—	—
Common Shares without par value (10)	16,000,000 shs.	7,848 (7,603,332 shs.)	7,848 (7,603,332 shs.)	7,848 (7,603,332 shs.)
Non-Voting Shares without par value (this issue)	16,000,000 shs.	—	—	36,800 (2,300,000 shs.)
Retained earnings (7)		32,452	32,452	25,272
Foreign currency adjustment (7)		255	255	255
Total shareholders' equity		56,350	56,350	85,945
Total Capitalization		$242,945	$245,453	$245,453

Notes:

(1) The figures in this table are prepared as though the predecessor companies of Belkin Inc. had been amalgamated throughout these reporting periods. See "The Company" and Note 1 to the Consolidated Financial Statements.
(2) The short-term bank loans and bankers' acceptances are secured by a general assignment of book debts and by a charge on inventory.
(3) The long-term bank loans are secured by debentures constituting fixed and floating mortgages and charges on the assets of the Company.
(4) Secured by a pledge of 1,900,836 Common Shares of Belkin Inc. under a non-recourse guarantee of Capital Enterprises Ltd.
(5) The promissory notes are unsecured.
(6) The Series A and Series B Debentures are equally and rateably secured by a first fixed and floating mortgage and charge on assets of Somerville Belkin.
(7) As at September 30, 1985.
(8) The Preference Shares issued by Somerville Belkin are the 1953 Series $2.80 Sinking Fund cumulative serial preference shares, redeemable at $51 per share.
(9) The Class B Preference shares are cumulative preferred shares bearing dividends at 2½% over 52% of a Canadian chartered bank's prime rate, and are redeemable at 5% per annum on a declining balance basis to 1989 with the balance being redeemed in 1990.
(10) Belkin Inc. has granted options to certain directors to purchase 64,000 Common Shares at an option price of $5.90 per share. The options expire on December 31, 1989.
(11) For particulars of lease commitments see Note 11 to the Consolidated Financial Statements.

DIVIDEND RECORD AND POLICY

The Company has paid dividends on its outstanding shares during the five years ended September 30, 1985 as follows:

	Year ended September 30, (1)				
	1985	**1984**	**1983**	**1982**	**1981**
Preference Shares					
Class B (2)					
Per Share	$85.46	$85.42	$90.85	$120.43	$111.47
Total amount (000's)	550	578	653	912	889
Class C					
Per Share	8.00	8.00	8.00	8.00	7.94
Total amount (000's)	92	139	185	231	230
Class D					
Per Share	10.00	10.00	10.00	10.00	2.60
Total amount (000's)	974	1,127	1,276	1,426	390
Common Shares					
Per Share (3)	0.125	0.125	0.125	0.275	0.10
Total amount (000's)	951	951	951	2,091	760
Total (000's)	$2,567	$2,795	$3,065	$ 4,660	$ 2,269

(1) The dividends in this table are shown as though the predecessor companies of Belkin Inc. had been amalgamated throughout these reporting periods.
(2) The Class B Preference shares are entitled to cumulative cash dividends at a rate related to the prime interest rate of a Canadian chartered bank.
(3) The dividends on each Common Share give effect to the exchange of four for one on the amalgamation described under "The Company".

The Directors of the Company have approved a policy of paying semi-annual dividends on the Common Shares and Non-Voting Shares and have set the next semi-annual dividend at $0.0625 for each share. In addition the Company has declared an extraordinary dividend of $2,471,000 on its Common Shares payable on March 7, 1986.

No dividends have been paid on the Class A Preference shares. The Class A Preference shares are held by the principal shareholder. See "Principal Holder of Shares".

USE OF PROCEEDS

The proceeds to the Company from the sale of the Non-Voting Shares offered hereby will amount to approximately $36,600,000 after payment of estimated expenses of issue. Of the proceeds $29,795,000 will be used to reduce Belkin's long-term bank debt incurred for general corporate purposes including the capital expenditures and acquisitions described under "Capital Expenditures and Acquisitions". $4,981,000 of the proceeds will be used for the redemption of Class A Preference shares and the payment of an extraordinary dividend on the Common Shares. Capital Enterprises Ltd., wholly-owned by Morris Belkin, owns all the Class A Preference shares and approximately 98% of the Common Shares. The Company will pay the extraordinary dividend and redeem the Class A Preference shares on March 7, 1986 by incurring short-term indebtedness that will be retired from the proceeds of issue. The Underwriters' fee of $2,024,000 will be paid out of the general funds of the Company.

DETAILS OF THE OFFERING AND SHARE CAPITAL

The Offering

The offering consists of 2,300,000 Non-Voting Shares without par value in the capital of the Company.

Share Capital of the Company

The present authorized share capital of the Company consists of 25,100 Class A Preference shares with a par value of $1 each, 6,191 Class B Preference shares with a par value of $1,000 each, 5,790 Class C Preference shares with a par value of $100 each, 90,000 Class D Preference shares with a par value of $100 each, 20,000,000 Class E Preference shares without par value issuable in series, 16,000,000 Common Shares without par value and 16,000,000 Non-Voting Shares without par value. On December 31, 1985 the issued capital of the Company consisted of 25,100 Class A Preference shares, 6,191 Class B Preference shares, 5,790 Class C Preference shares, 90,000 Class D Preference shares and 7,603,332 Common Shares.

Preference Shares

The Preference shares are entitled to preference over the Common Shares and Non-Voting Shares in each case with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company.

The Class A Preference shares are entitled to fixed non-cumulative dividends at the rate of 8% per annum. The Class A Preference shares may be redeemed by the Company at any time on payment of $100 for each share and all declared and unpaid dividends thereon. There are no declared and unpaid dividends on the Class A Preference shares.

The Class B Preference shares are entitled to quarterly cumulative cash dividends at an annual rate equal to 2½% over 52% of the prime commercial rate of a Canadian chartered bank. Under a share purchase agreement between Belkin Packaging Ltd. and the Canadian chartered bank to which the Class B Preference shares were issued the Company is required to repurchase 5% of the issued shares each year by nine annual instalments and to purchase the balance on June 26, 1990.

The Class C Preference shares are entitled to fixed semi-annual cumulative dividends at the rate of 8% per annum. Under an agreement between B.C. Sugar Refinery, Limited, Keycorp Industries Limited and Belkin Packaging Ltd., the Company is required to redeem the entire class by redeeming 5,790 Class C Preference shares on the last business day of June in each year commencing in 1982 and ending in 1986.

The Class D Preference shares are entitled to fixed quarterly cumulative cash dividends at the rate of 10% per annum. The Class D Preference shares have a cumulative mandatory sinking fund calling for annual redemptions of 22,500 shares in each fiscal year from 1986 to 1989. The Class D Preference shares, inter alia, restrict payment of dividends unless consolidated net income subsequent to December 31, 1980 and proceeds of issue of junior ranking shares exceed dividends on and share retirements of junior shares since that date. As of December 31, 1985, after giving effect to the issue of the Non-Voting Shares offered hereby, the payment of the extraordinary dividend described under "Dividend Record and Policy" and the redemption of 25,100 Class A Preference shares described under "Use of Proceeds", an amount in excess of the retained earnings was available under these restrictions for payment of dividends on the Common Shares and Non-Voting Shares of the Company.

The special rights and restrictions attaching to each series of Class E Preference shares will be fixed by the directors prior to the issue of shares of that series.

The holders of Preference shares are not entitled as such to any voting rights or to receive notice of or attend shareholders' meetings unless the Company has failed to pay dividends on any eight consecutive due dates on the Class B Preference shares, the Class D Preference shares or any series of the Class E Preference shares. In those respective events and until all arrears of dividends have been paid on the shares of the class, the Class B Preference shares shall be entitled to one vote for each share and, voting separately as a class, to elect one director, the Class D Preference shares shall be entitled to one vote for each share and, voting separately as a class, to elect two directors provided that the number of directors is greater than six, and the Class E Preference shares, voting separately as a class, shall be entitled to elect two directors.

Common Shares and Non-Voting Shares

Voting Rights

The holders of Common Shares are entitled to receive notice of, attend and vote at all general meetings of shareholders of the Company. Except as otherwise provided by law and so long as at least 3,000,000 Common

Shares, as presently constituted, remain outstanding, the holders of Non-Voting Shares will not, as such, be entitled to vote at any general meeting of the Company. However, the holders of Non-Voting Shares will be entitled to receive notice of and to attend and speak at all general meetings of shareholders of the Company. If fewer than 3,000,000 Common Shares, as presently constituted, are outstanding, the Non-Voting Shares will be automatically converted into Common Shares.

Dividends

The Common Shares and the Non-Voting Shares will participate equally share for share as to all dividends declared on either class. If stock dividends are declared, the Common Shares and the Non-Voting Shares are deemed to participate equally with each other as to the dividend if the dividend declared on each Common Share is payable by the issue of Common Shares and on each Non-Voting Share is payable by the issue of a like number of Non-Voting Shares.

Conversion

Holders of Non-Voting Shares will be entitled to convert their Non-Voting Shares into Common Shares on a share for share basis if a take-over bid, other than an exempt bid, is made for Common Shares unless within five business days after the date on which the bid is made a certificate is delivered to the Company stating that the persons signing the certificate own more than 50% of the outstanding Common Shares and that they will not accept the offer or will accept it only to the extent that he or they will continue to hold more than 50% of the outstanding Common Shares. An exempt bid will include a purchase by private agreement from fewer than six holders and for prices not exceeding 115% of the then current market price of Non-Voting Shares. The conversion right will not arise if an offer is made to holders of Non-Voting Shares in terms identical with those of the offer to holders of Common Shares. See "Principal Holder of Shares". Holders of Non-Voting Shares will also be entitled to convert their Non-Voting Shares into Common Shares on a share for share basis if an issuer bid for any Common Shares is made by the Company.

If the conversion right were to arise, holders of Non-Voting Shares wishing to exercise the right would be required to deposit certificates representing the Non-Voting Shares they wished to convert with the transfer agent for the Non-Voting Shares, and to direct the transfer agent to tender in accordance with the terms of the offer all Common Shares issued upon conversion (the "Converted Shares"). Should the offer not be completed, all the Converted Shares would be reconverted automatically to Non-Voting Shares. If some of the Converted Shares were not taken up pursuant to the terms of a completed offer, the Converted Shares not taken up would be automatically reconverted to Non-Voting Shares. Certificates representing reconverted shares would then be issued to the persons entitled thereto.

Holders of Common Shares may from time to time convert Common Shares into Non-Voting Shares on a share for share basis.

Subdivision or Consolidation

Neither the Common Shares nor the Non-Voting Shares may be subdivided or consolidated unless the other class is subdivided or consolidated in the same proportion.

Rights on Liquidation

In the event of liquidation or winding-up of the Company, the assets available for distribution to the holders of Common Shares and Non-Voting Shares will be distributed share for share to holders of shares of both classes, without preference or distinction.

Modification

No rights attached to the Non-Voting Shares may be prejudiced or interfered with save with the consent by a separate resolution of the holders of Non-Voting Shares requiring a majority of three-quarters of the votes cast.

Other Attributes

In all other respects the Common Shares and the Non-Voting Shares will have the same rights and restrictions.

DILUTION

Subscribers for Non-Voting Shares offered under this prospectus will suffer immediate dilution. The following table shows the dilution based upon the net tangible book value of the Company for each Common Share or Non-Voting Share as at September 30, 1985, both before and after giving effect to this offering.

Offering price		$16.00
Net tangible book value before this offering	$ 4.18(1)	
Increase in net tangible book value attributable to this offering	2.02	
Net tangible book value after this offering		6.20(2)
Dilution to subscribers		$ 9.80
Percentage of dilution in relation to the offering price		61.3%

(1) After deducting deferred income taxes.

(2) After deducting the expenses of issue, the Underwriters' fee and the monies used to redeem the Class A Preference shares and pay the extraordinary dividend. See "Use of Proceeds".

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated February 18, 1986 made between the Company and McLeod Young Weir Limited and Wood Gundy Inc. (the "Underwriters") the Company has agreed to issue and the Underwriters have severally agreed to purchase on or about March 10, 1986, but in any event not later than April 3, 1986, all, but not less than all, the Non-Voting Shares offered by this prospectus at a price of $16.00 for each Non-Voting Share, subject to the terms and conditions contained therein. In consideration for their services in connection with this offering the Underwriters will be paid a fee of $2,024,000 by the Company out of its general funds.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. In connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares and Non-Voting Shares at levels above those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

DIRECTORS AND OFFICERS

The names and municipalities of residence and principal occupations during the past five years of the directors and officers of the Company are as follows:

Name and municipality of residence	Office	Principal occupation
Morris Belkin (1) Vancouver, British Columbia	Chairman of the Board and President	Chairman of the Board and President of the Company
Alton Stuart Belkin (1) Vancouver, British Columbia	Director	President, Belkin Paper Stock Inc. (secondary fibre supplier); prior to January, 1984, Manager Business Development for a Canadian chartered bank
Lorenzo Neville Hoopes Oakland, California	Director	Consultant; prior to July, 1980, Senior Vice President, Director, Safeway Stores Incorporated (retail stores)
Michael Joseph Kelly Vancouver, British Columbia	Director and Vice-President Keystone Business Forms Division	Vice-President, Keystone Business Forms Division of the Company
Robert Frederick Krause Mississauga, Ontario	Director	President, Somerville Belkin

Name and municipality of residence	Office	Principal occupation
William Edward Mastbaum Clarendon Hills, Illinois	Director	President, Belkin Packaging of America Inc.; prior to June, 1984, Consultant; prior to January, 1984, Group Vice-President, Container Corporation of America (paperboard and packaging)
Douglas John McKinnon (1)(2) Langley, British Columbia	Director and Vice-President Finance and Secretary	Vice-President Finance of the Company
Charles Richard Laurence Peers (1)(2) Vancouver, British Columbia	Director	Partner, Ladner Downs (barristers and solicitors)
Edwin Charles Phillips (1)(2) Vancouver, British Columbia	Director and Chairman of the Executive Committee	Consultant; prior to April, 1983, Chairman, Westcoast Transmission Company Limited (natural gas transmission company)
John Henry Kuhn Mississauga, Ontario	Vice-President Manufacturing Belkin Paperboard Division	Vice-President Manufacturing of the Company; prior to January, 1986 Corporate Manufacturing Manager, Container Corporation of America (paperboard and packaging)
Gordon Craig Pow Delta, British Columbia	Corporate Comptroller	Corporate Comptroller of the Company

(1) Member of the Executive Committee.
(2) Member of the Audit Committee.

STATEMENT OF EXECUTIVE COMPENSATION

Belkin has seven executive officers whose aggregate cash compensation during fiscal 1985 was $868,040.

During 1985, Keycorp Industries Limited granted to each of its directors other than Morris Belkin a non-transferable option to purchase 2,000 common shares at the price of $23.60 per share. Five of those directors are executive officers of Belkin.

As the outstanding common shares of Keycorp Industries Limited were exchanged on a four for one basis for shares of the Company at the time of the amalgamation which formed the Company, the options were adjusted so that the number of shares under each option became 8,000 Common Shares of the Company and the option price became $5.90 per share. The original option price was based on the average trading prices of the common shares of Keycorp Industries Limited for ten trades preceding the date of the granting of the options. Each option will expire on the earlier of the termination of the holder's directorship and December 31, 1989. None of the options has been exercised.

The Company has a defined-benefit pension plan for executive employees in which four of the executive officers participate. Each participant's pension entitlement is based on his final five years' average earnings and length of participation in the plan up to 35 years. Pension benefits are paid monthly. The aggregate amount of benefits paid to executive officers from the plan during the 1985 fiscal year was $60,000. The plan is fully funded.

The aggregate value of other compensation to the executive officers does not exceed $70,000.

Each director of the Company, other than a director who is also an executive officer of Belkin or a professional adviser to Belkin, is paid an annual director's fee of $10,000 and an additional fee of $750 for attending each meeting of directors or of the executive committee.

PRINCIPAL HOLDER OF SHARES

Capital Enterprises Ltd., of 8255 Wiggins Street, Burnaby, British Columbia, is the owner of record and beneficially of 5,569,148 Common Shares and the beneficial owner of 1,900,836 Common Shares representing in total 98.2% of the outstanding shares of the Company carrying the right to vote in all circumstances (except as set out

under ''Preference Shares'') and 25,100 Class A Preference shares. See ''Use of Proceeds''. Morris Belkin owns all the issued shares of Capital Enterprises Ltd. Capital Enterprises Ltd. may purchase up to 2,118 Class B Preference shares from a non-related party prior to March 7, 1986.

Directors and senior officers of the Company other than Morris Belkin hold in the aggregate directly and indirectly less than 1% of the voting securities of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On April 14, 1984, Somerville Belkin bought the assets and business of the Capital Plastics Division of Capital Enterprises Ltd., a company wholly-owned by Morris Belkin. The purchase price for the assets and business was an amount equal to their fair market value determined by independent valuation by Thorne Riddell, Chartered Accountants. See ''Business of Belkin'', ''Principal Holder of Shares'', ''Capital Expenditures and Acquisitions'' and Note 4 to the Consolidated Financial Statements.

Immediately prior to the issue of the Non-Voting Shares offered hereby, Capital Enterprises Ltd. will receive \$2,510,000 on the redemption of its Class A Preference shares and an extraordinary dividend of \$2,427,745 on its Common Shares of the Company.

Morris Belkin is the owner of the property on which the baled recycled fibre plant in Calgary, the envelope plant in Richmond and the plastics plant in Surrey are located. See ''Principal Properties''.

LEGAL MATTERS

The opinions referred to under ''Eligibility for Investment'' will be given at the date of closing by Ladner Downs, Vancouver, and by Lawson, Lundell, Lawson & McIntosh, Vancouver.

Certain other legal matters relating to the offering of the Non-Voting Shares will be passed upon at the date of closing by Ladner Downs, Vancouver, on behalf of the Company and by Lawson, Lundell, Lawson & McIntosh, Vancouver, on behalf of the Underwriters.

MATERIAL CONTRACTS

Particulars of material contracts entered into by the Company during the two years preceding the date hereof, other than contracts entered into in the ordinary course of business, are as follows:

(i) the Underwriting Agreement dated February 18, 1986, described under ''Plan of Distribution'';

(ii) the Purchase Agreement dated April 16, 1984 between Capital Enterprises Ltd. and Chataway Holdings Ltd., a subsidiary of Somerville Belkin, described under ''Capital Expenditures and Acquisitions'' and ''Interest of Management and Others in Material Transactions'';

(iii) the Purchase Option and Purchase Agreement dated March 23, 1984 between Packaging Corporation of America and the Company referred to under ''Business of Belkin''.

Copies of these contracts may be examined at the head office of the Company during ordinary business hours while the Non-Voting Shares are in the course of distribution to the public and for a period of 30 days thereafter.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Thorne Riddell, Chartered Accountants, 1177 West Hastings Street, Vancouver, British Columbia, V6E 2L9. The Canada Trust Company at its principal offices in Vancouver is the registrar and transfer agent for the Common Shares and at its principal offices in Vancouver, Calgary, Regina, Winnipeg, Toronto and Montreal will be the registrar and transfer agent for the Non-Voting Shares.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories of Canada securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his province or territory for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORT

To the Directors of Belkin Inc.

We have examined the consolidated balance sheets of Belkin Inc. as at September 30, 1985 and September 30, 1984 and the related consolidated statements of income, retained earnings and changes in financial position for each of the years in the five year period ended September 30, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1985 and September 30, 1984 and the results of its operations and the changes in its financial position for each of the years in the five year period ended September 30, 1985 in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for long-term debt denominated in foreign currency referred to in note 3(a) to the consolidated financial statements, on a consistent basis.

Vancouver, Canada
November 14, 1985
(February 19, 1986 as to note 14)

(signed) Thorne Riddell
Chartered Accountants

BELKIN INC.
(Incorporated under the laws of British Columbia)

Consolidated Balance Sheet
(in thousands of dollars)

	As at September 30	
ASSETS	**1985**	**1984**
Current assets		
Accounts receivable	$ 54,466	$ 52,202
Inventories (note 5)	57,540	60,069
Prepaid expenses and deposits	2,023	1,981
	114,029	114,252
Investments (note 6)	10,772	11,405
Fixed assets (note 7)	147,650	146,770
Other assets (note 8)	8,783	8,578
	$281,234	$281,005
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank advances (note 9)	$ 20,981	$ 30,930
Accounts payable and accrued liabilities	34,629	34,977
Income taxes payable	3,500	—
Dividends payable	160	739
Long-term debt payable within one year	6,279	4,559
	65,549	71,205
Long-term debt (note 9)	120,589	121,667
Deferred income taxes	38,144	35,890
Preference shares issued by subsidiary companies	602	1,281
Shareholders' equity (note 10)	56,350	50,962
	$281,234	$281,005

Commitments (note 11)
Subsequent Event (note 14)

APPROVED BY THE BOARD:

(Signed) Douglas J. McKinnon, Director

(Signed) Stuart Belkin, Director

BELKIN INC.

Consolidated Statement of Income

(in thousands of dollars, except per share amounts)

	Year ended September 30				
	1985	1984	1983	1982	1981
Sales	$368,217	$323,789	$286,254	$281,645	$251,594
Cost of sales and operating expenses	292,285	257,917	221,010	219,841	187,664
	75,932	65,872	65,244	61,804	63,930
Other expenses					
Selling and administrative	28,696	25,316	24,424	24,602	21,347
Interest on long-term debt	14,832	13,410	12,022	17,964	15,957
Other interest	3,013	2,760	3,016	4,150	2,768
Depreciation and amortization	11,815	9,618	8,849	8,443	7,239
	58,356	51,104	48,311	55,159	47,311
Income from operations	17,576	14,768	16,933	6,645	16,619
Other income					
Equity in net income of 50%-owned companies	619	589	338	254	220
Gain on sale of fixed assets	27	430	366	395	95
	646	1,019	704	649	315
	18,222	15,787	17,637	7,294	16,934
Income taxes (note 12)					
Current (recovery)	4,848	1,463	4,290	(25)	1,489
Deferred	2,520	4,914	3,353	3,217	6,347
	7,368	6,377	7,643	3,192	7,836
Income before extraordinary item	10,854	9,410	9,994	4,102	9,098
Extraordinary item					
Write-down of investment in shares (net of deferred income taxes of $265,000)	795	—	—	—	—
Net income	$ 10,059	$ 9,410	$ 9,994	$ 4,102	$ 9,098
Income from operations before depreciation and amortization	$ 29,391	$ 24,386	$ 25,782	$ 15,088	$ 23,858
Earnings per common share					
Before extraordinary item	$ 1.22	$ 1.00	$ 1.04	$ 0.21	$ 0.95
After extraordinary item	$ 1.12	$ 1.00	$ 1.04	$ 0.21	$ 0.95

BELKIN INC.

Consolidated Statement of Retained Earnings
(in thousands of dollars)

	Year ended September 30				
	1985	1984	1983	1982	1981
Balance at beginning of year					
As previously reported	$24,861	$20,765	$13,664	$13,669	$ 6,964
Less adjustment of prior years (note 3)					
Foreign exchange	—	1,293	1,293	913	793
Settlement of claim	—	1,264	1,130	996	862
	—	2,557	2,423	1,909	1,655
As restated	24,861	18,208	11,241	11,760	5,309
Net income	10,059	9,410	9,994	4,102	9,098
	34,920	27,618	21,235	15,862	14,407
Dividends					
Preference shares	1,517	1,806	2,076	2,530	1,887
Common shares	951	951	951	2,091	760
	2,468	2,757	3,027	4,621	2,647
Balance at end of year	$32,452	$24,861	$18,208	$11,241	$11,760

BELKIN INC.

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

	Year ended September 30				
	1985	1984	1983	1982	1981
Working capital derived from					
Operations					
Income before extraordinary item	$10,854	$ 9,410	$ 9,994	$ 4,102	$ 9,098
Items not involving working capital					
Depreciation and amortization	11,815	9,618	8,849	8,443	7,239
Deferred income taxes	2,520	4,914	3,353	3,217	6,347
Gain on sale of fixed assets	(27)	(430)	(366)	(395)	(95)
Excess of equity in 50%-owned companies over dividends received	(419)	(589)	(338)	(254)	(220)
Funds derived from operations	24,743	22,923	21,492	15,113	22,369
Increase in long-term debt	4,377	28,639	17,060	1,058	47,785
Proceeds from sale of fixed assets	108	929	1,691	1,347	914
Decrease in investment	309	—	—	—	2,127
Foreign currency adjustment	126	54	—	—	—
	29,663	52,545	40,243	17,518	73,195
Working capital applied to					
Purchase of businesses net of preference shares issued	—	13,938	—	—	33,133
Additions to fixed assets	10,919	13,254	2,187	8,959	9,878
Reduction of long-term debt	6,847	5,031	14,333	9,588	9,490
Investments	316	4,630	183	677	—
Other assets	722	2,156	543	1,553	816
Redemption of preference shares of subsidiary companies	554	20	51	52	21
Dividends on common shares	951	951	951	2,091	760
Dividends on and redemptions of preference shares	3,921	4,227	4,517	4,990	1,887
	24,230	44,207	22,765	27,910	55,985
Increase (decrease) in working capital	5,433	8,338	17,478	(10,392)	17,210
Working capital at beginning of year	43,047	34,709	17,231	27,623	10,413
Working capital at end of year	$48,480	$43,047	$34,709	$17,231	$27,623

BELKIN INC.

Notes to Consolidated Financial Statements
As at September 30, 1985

1. Basis of presentation

On October 1, 1985, Keycorp Industries Limited amalgamated with two of its subsidiary companies, Belkin Packaging Ltd. and Pioneer Envelopes Ltd., to form Belkin Inc. The preference shareholders of Belkin Packaging Ltd. and Keycorp Industries Limited received preference shares of Belkin Inc. on a share-for-share exchange basis having the same special rights and restrictions as were attached to the preference shares which they formerly held. The common shareholders of Keycorp Industries Limited received four common shares of Belkin Inc. for each common share which they held.

These financial statements reflect the financial position of the company as at September 30, 1985 and September 30, 1984 and the results of its operations and the changes in its financial position for each of the five years ended September 30, 1985, as if the companies had been amalgamated throughout the reporting periods.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiary companies. The company owns 100% of the outstanding voting shares of the subsidiary companies.

(b) Inventories

Inventories are valued using the first-in first-out method. Raw materials and supplies are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value.

(c) Fixed assets and depreciation

Fixed assets are stated at cost, which for major expansion projects includes interest on funds borrowed for construction for the period prior to commencement of commercial production. Fixed assets are depreciated on a straight-line basis from commencement of commercial production at rates which reflect estimates of the economic life of the assets.

(d) Unallocated purchase price of shares in subsidiary company

The excess of the amount of investment in the subsidiary company over the amounts allocated to tangible assets is being amortized on a straight-line basis over a period of forty years.

(e) Deferred charges

The company follows the practice of deferring costs such as pre-production, financing and costs related to the consolidation of operations, and amortizes these costs on a straight-line basis, with terms ranging from five to twenty years.

(f) Foreign currencies

Assets and liabilities of the company in foreign currencies, as well as financial statements of foreign operations which are self-sustaining, are translated at the current rate of exchange. Income statement items are translated at average exchange rates for the year.

Gains and losses from exchange translations are included in the consolidated statement of income, with the following exceptions:

(i) Gains and losses from translation of long-term debt are deferred and amortized over the remaining term of the debt.

(ii) Gains and losses from translation of self-sustaining foreign operations form part of the change in the foreign currency adjustment component of shareholders' equity. These adjustments are not included in income until realized through a reduction in the company's net investment.

3. Accounting change and prior period adjustment

(a) Effective October 1, 1983 the company changed its method of accounting for long-term debt denominated in U.S. dollars to the method as described in note 2(f). This change, which has been applied retroactively, reduced retained earnings for the years prior to the year ended September 30, 1981 by $793,000. The decrease in net income for the years ended September 30 is as follows:

1981	$120,000
1982	380,000
1983	Nil

(b) In February, 1984 the company settled a dispute with the suppliers of a paperboard machine. This settlement, which has been accounted for as a prior period adjustment, reduced retained earnings for the years prior to the year ended September 30, 1981 by $862,000. The decrease in net income for the years ended September 30 is as follows:

1981	$134,000
1982	134,000
1983	134,000

4. Acquisitions

During the five years ended September 30, 1985, the company has acquired the following businesses:

(a) On May 31, 1984, the company purchased a corrugated container plant in Latta, South Carolina;

(b) On April 14, 1984, the company purchased the assets of Capital Plastics in Surrey, British Columbia from a related corporation. The purchase price was $3,314,000 for the fixed assets plus $1,578,000 for working capital;

(c) On March 27, 1981, the company purchased assets from The Continental Group of Canada Ltd. which included three folding carton plants located in Montreal, Toronto and Winnipeg and two paperboard mills located in Montreal and Toronto.

These transactions have been accounted for by the purchase method with the results of operations being included in these financial statements from the dates of acquisition.

The effect of these transactions on the company's balance sheet was as follows:

	1984	1981
	($000)	
Net assets acquired		
Working capital	$ 5,384	$12,792
Fixed assets	13,938	48,133
	$19,322	$60,925
Consideration		
Cash	$14,687	$45,925
Note payable	3,855	—
Class D preference shares	—	15,000
Assumption of debt	780	—
	$19,322	$60,925

5. Inventories

	1985	1984
	($000)	
Raw materials and supplies	$26,285	$28,197
Work in process	7,827	9,635
Finished goods	23,428	22,237
	$57,540	$60,069

6. Investments

	1985	1984
	($000)	
50%-owned companies, at cost plus the company's equity in undistributed net earnings since acquisition	$ 6,141	$ 5,566
Secured loan, repayable over 14 years	4,122	4,431
Other	509	1,408
	$10,772	$11,405

7. Fixed assets

	1985			1984
	Cost	Accumulated depreciation	Net book value	Net book value
		($000)		
Land	$ 12,643	—	$ 12,643	$ 12,626
Buildings	38,619	$ 6,979	31,640	32,314
Machinery and equipment	144,326	42,406	101,920	98,555
Construction in progress	1,447	—	1,447	3,275
	$197,035	$49,385	$147,650	$146,770

Machinery and equipment includes assets under capital lease.

8. Other assets

	1985	1984
	($000)	
Unallocated purchase price of shares in subsidiary company	$4,363	$4,499
Deferred charges	2,271	2,234
Deferred foreign exchange	2,149	1,845
	$8,783	$8,578

9. Long-term debt and bank advances

	1985	1984
	($000)	
Debentures		
8½% Series A secured sinking fund debentures, due April 1, 1993	$ 5,571	$ 5,946
13⅞% Series B secured sinking fund debentures, due October 1, 1998	20,000	20,000
Bank loans		
Term loans	43,022	44,157
Term loans of $14,654,438 U.S. (1984 — $21,854,438)	20,128	28,797
Income debenture	6,000	6,000
Industrial revenue bonds of $5,750,000 U.S. at 65% of U.S. prime rate, repayable in quarterly instalments until December 31, 1997	7,897	—
Bank advances	3,670	3,636
Promissory notes		
At 10%, repayable to 1987, unsecured	1,214	1,822
$2,384,000 U.S. at 1% above the U.S. prime rate, repayable in annual instalments until June 1, 1989	3,274	3,927
Mortgage at 10½% due February 1, 1998	1,070	1,115
Obligations related to capital leases	15,022	10,826
	126,868	126,226
Less current portion included in current liabilities	6,279	4,559
	$120,589	$121,667

The company has negotiated a restructuring of its long-term bank debt with its bankers. As a result, the major portion of the term loans, the income debenture and the bank advances are repayable in 33 equal quarterly instalments commencing July 1, 1986. Interest rates are 1¼% above the banks' U.S. base rate on the U.S. term loans and generally 1¼% above prime rate on the Canadian term loans and bank advances.

Approximately $5,500,000 of the term loans are unsecured. All other debentures, bank loans and short-term bank advances are secured by fixed and floating charges on the assets of the company.

The company has utilized interest rate swaps to effectively establish long-term fixed interest rates on variable rate debt. At September 30, 1985 the company had interest rate swap agreements establishing fixed rates on $45,550,000 of debt, with an average maturity of six years. The weighted average effective interest rate on all swap agreements outstanding during the year was 13.5%.

The principal due on long-term debt, other than obligations related to capital leases, within each of the next five fiscal years is:

	($000)
1986	$ 5,524
1987	12,864
1988	12,311
1989	12,742
1990	12,338

The future minimum lease payments on obligations related to capital leases due within each of the following fiscal years are:

	$(000)
1986	$ 3,632
1987	3,293
1988	3,108
1989	2,892
1990	2,647
Subsequent years	8,500
Due in aggregate	24,072
Interest included in minimum lease payments	9,050
Obligations related to capital leases	$15,022

10. Shareholders' equity

	1985	1984
	($000)	
Share capital		
Class A Preference shares, 8% non-cumulative, redeemable at $100 per share		
Authorized and issued		
25,100 shares of $1 each	$ 25	$ 25
Class B Preference shares, cumulative at 52% of banks' prime rate plus 2½%, redeemable at par value at 5% per annum on a declining balance basis to 1989 with the balance due in 1990		
Authorized and issued		
6,191 shares of $1,000 each	6,191	6,516
Class C Preference shares, 8% cumulative, redeemable at par value		
Authorized and issued		
5,790 shares of $100 each	579	1,158
Class D Preference shares, 10% cumulative, redeemable in equal amounts over four years		
Authorized and issued		
90,000 shares of $100 each	9,000	10,500
Class E Preference shares without par value, issuable in series		
Authorized		
20,000,000 shares		
Common Shares without par value		
Authorized		
16,000,000 shares		
Issued		
7,603,332 shares	7,848	7,848
Non-Voting Shares without par value		
Authorized		
16,000,000 shares		
	23,643	26,047
Retained earnings	32,452	24,861
Foreign currency adjustment	255	54
	$56,350	$50,962

As at September 30, 1985 the company had granted options to certain directors to purchase 64,000 Common Shares of Belkin Inc. at an option price of $5.90 per share. These options expire on December 31, 1989.

11. Commitments

(a) The future minimum lease payments on obligations related to operating leases due within each of the following fiscal years are:

	($000)
1986	$1,526
1987	1,153
1988	1,044
1989	917
1990	348
Due in aggregate	$4,988

(b) The estimated unfunded pension liability for past services was $4,694,000 at September 30, 1985. The company is funding this liability by additional annual contributions up to 1999 to be charged against earnings as they are made.

12. Income taxes

The effective income tax rate differs from the aggregate statutory income tax rate in Canada. The principal factors causing this difference are as follows:

	1985	1984
Combined federal and provincial income tax rates (net of manufacturing and processing allowance)	44.0%	43.6%
Inventory allowance	(4.3)	(4.1)
Investment tax credits	(2.3)	(1.7)
Other	2.9	2.4
Effective income tax rate	40.3%	40.2%

13. Segmented information

The corporation and its subsidiaries operate predominantly in the paperboard packaging industry.

14. Subsequent event

Under an agreement dated February 18, 1986 with McLeod Young Weir Limited and Wood Gundy Inc., as underwriters, the company has agreed to sell and the underwriters have agreed to purchase on March 10, 1986 2,300,000 Non-Voting Shares, at a price of $16.00 per share. Should all of the conditions of the agreement be met, the company will receive estimated proceeds of $36,600,000 after estimated expenses of this issue of $200,000. The company will pay an underwriters' fee of $2,024,000.

CERTIFICATES

Dated February 19, 1986

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario), by Section 13 of the Securities Act (New Brunswick) and by the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the Securities Act (Quebec) and the regulations thereunder.

(signed) Morris Belkin
Chairman of the Board
and Chief Executive Officer

(signed) Douglas J. McKinnon
Vice-President Finance and
Chief Financial Officer

On behalf of the Board of Directors

(signed) Stuart Belkin
Director

(signed) C.R.L. Peers
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario), by Section 13 of the Securities Act (New Brunswick) and by the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the Securities Act (Quebec) and the regulations thereunder.

McLEOD YOUNG WEIR LIMITED

By: (signed) Eric L. Schwitzer

WOOD GUNDY INC.

By: (signed) K.R. Bruce

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

McLEOD YOUNG WEIR LIMITED: A.G.E. Taylor, T.E. Kierans, J.M.G. Scott, F.B. Farrill, D.T.C. Moore, T.R.W. Crawford, C.D.G. Hackett, A.D. Massey, D.F. Sullivan, J.S.A. MacDonald, W.D. Wilson, W.J. Bennett, A.O. Miller, T.H. McNabney, G.F. Cheesbrough, G. Archambault, W.J. Corcoran, C.J. Church and Shearson Lehman Brothers Inc.; and

WOOD GUNDY INC.: wholly-owned by The Wood Gundy Corporation.

Belkin Inc.

Through Somerville Belkin Industries Limited, Belkin provides packaging to a wide range of consumer products companies.

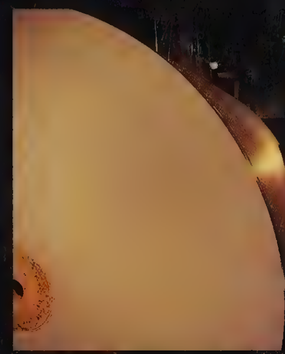
Folding Cartons

Beverages

Household Products

Plastics

Belkin Inc. Annual Report 1986



CANADA'S LARGEST INTEGRATED MANUFACTURER OF PAPERBOARD AND PAPERBOARD PACKAGING.

BELKIN

The basis of Belkin's prominence in Canadian paperboard packaging is its total integration. Recycled fibre is supplied by Belkin Paper Stock Inc. to Belkin's three papermills in Burnaby, Toronto and Montreal. The papermills supply boxboard to Somerville Belkin's folding carton operations while liner-board and medium produced by the Burnaby papermill is utilized, directly or through trade arrangements, by Belkin's corrugated container plants. Once converted and consumed, Belkin products are recycled back as raw material for our mills, thus perpetuating an integrated production cycle that is not dependent on virgin wood fibre. This integrated cycle ensures availability of raw material for Belkin operations, as well as timely, cost-efficient and high-quality products for our customers.

Financial Highlights

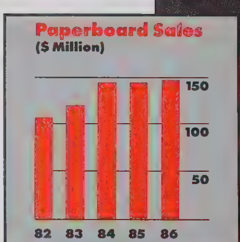
	1986	1985	1984	1983	1982
	(dollars in the thousands, except per share amounts)				
Consolidated Sales	$ 382,875	$ 367,139	$ 323,789	$ 286,254	$ 281,645
Income from Operations before Depreciation & Amortization	$ 34,592	$ 29,391	$ 24,386	$ 25,782	$ 15,088
Net Income	$ 13,282	$ 10,059	$ 9,410	$ 9,994	$ 4,102
Earnings per Common Share before Extraordinary Items*	$ 1.23	$ 1.22	$ 1.00	$ 1.04	$ 0.21
Earnings per Common Share after Extraordinary Items*	$ 1.36	$ 1.12	$ 1.00	$ 1.04	$ 0.21
Average Shares Outstanding	8,895,770	7,603,322	7,603,332	7,603,332	7,603,332
Common Share Dividends*	$ 3,462	$ 951	$ 951	$ 951	$ 2,091
Per Share	$ .425	$ .125	$ .125	$ .125	$ .275
Additions to Fixed Assets	$ 8,388	$ 10,919	$ 13,254	$ 2,187	$ 8,959
Working Capital	$ 58,648	$ 48,480	$ 43,047	$ 34,709	$ 17,231
Ratio	2.06	1.74	1.60	1.62	1.24
Return on Common Shareholders' Equity*	19.6%	23.3%	25.8%	35.0%	8.1%

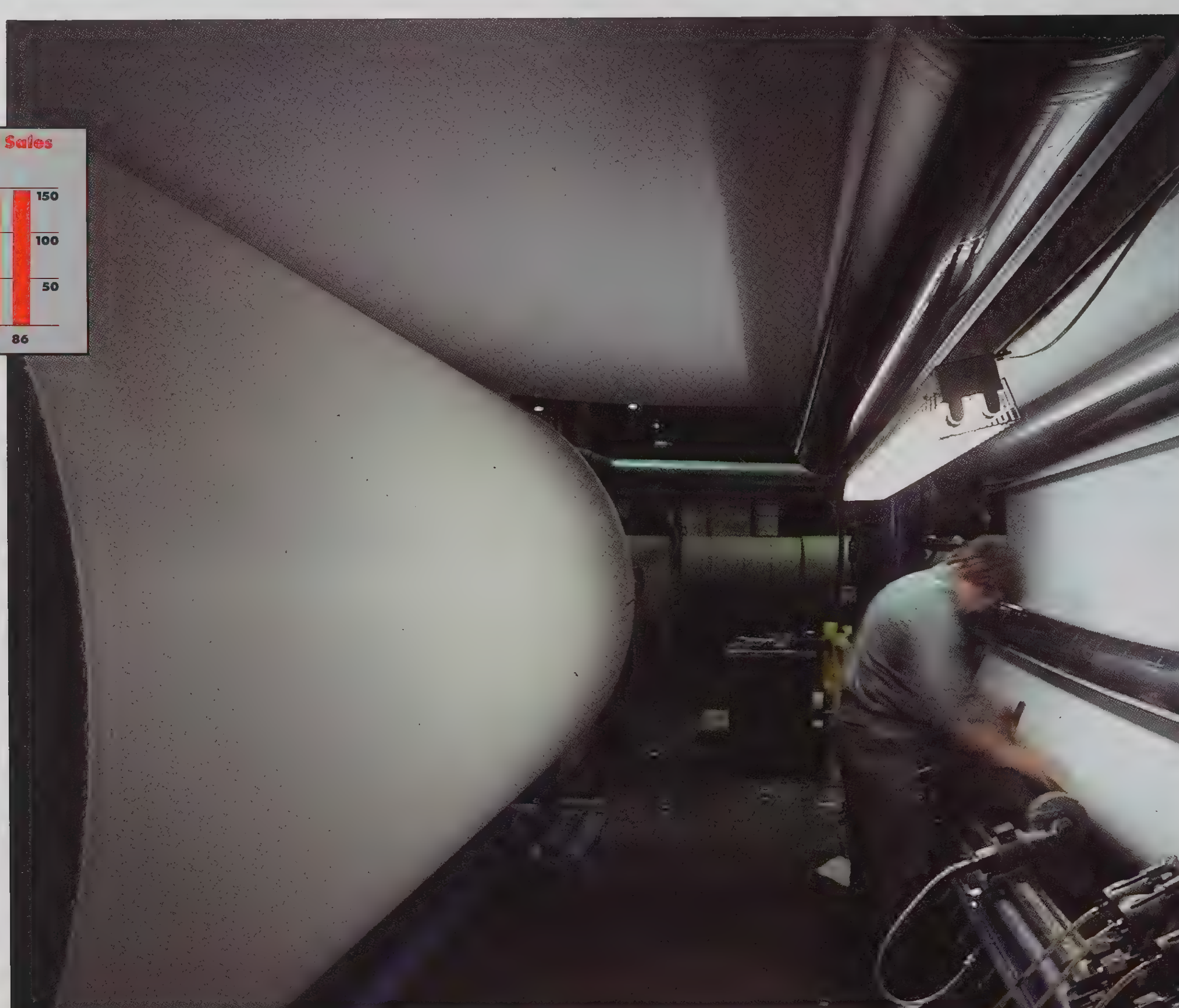
*Reference to Common Share includes both Common and Non-Voting Shares.

Contents

Financial Results

PAPERBOARD MANUFACTURING

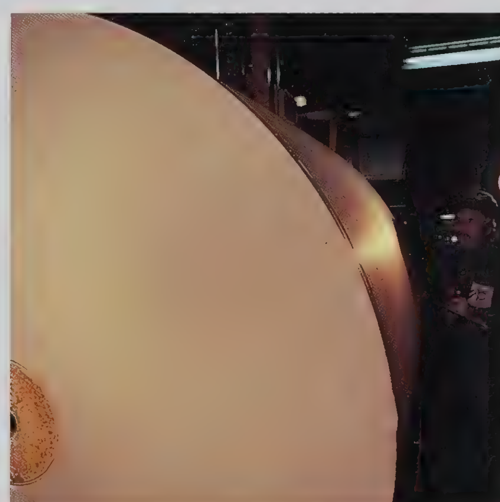


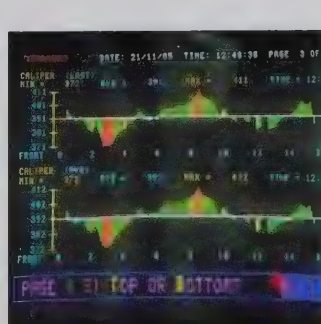


Prospectus Forecast

PRODUCTION VOLUMES AT THE PAPERMILLS REACHED A NEW HIGH OF 292,000 TONNES; MARGINS ALSO IMPROVED LARGELY DUE TO REDUCED RAW MATERIAL COSTS.

Capital expenditures for 1987 will include a new computer process control system for the Toronto papermill.





Company cost reduction and productivity improvement programs will [illegible] efficiency and increase capacity at the papermills [illegible] 10 percent.

[illegible]

Paperboard & Corrugated

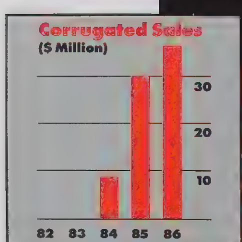
[illegible]

[illegible] and 1987 expansion plans call for the opening of a new [illegible] plant in Vancouver.

[illegible] improvements were realized [illegible] corrugated container operations. At the Latta, South Carolina plant of Belkin Packaging of America, pro[illegible] gains were [illegible]. At the Toronto corrugated plant, sales doubled. Margins also improved, the result of [illegible] product mix.

The company continues to stress cost reduction, [illegible] productivity, and quality improvement. Capital programs are underway with the goal of improving the efficiency and [illegible] capacity of all three papermills [illegible]. The Toronto paperboard mill [illegible] the largest single capital commitment, a computer process control system to be installed during [illegible] 1987.

CORRUGATED CONTAINERS



Somerville Belkin Packaging Operations

[illegible]

[illegible]

PRODUCTIVITY GAINS WERE ACHIEVED AT THE LATTA, SOUTH CAROLINA PLANT WHILE TORONTO CORRUGATED OPERATIONS DOUBLED SALES AND IMPROVED MARGINS.

Toronto Corrugated's trucks were busy in 1986 as sales increased dramatically; below left, the Langston flexo folder-gluer at work.

Sales in the Corrugated Division's Toronto (left) and Latta (above) operations went up 34 percent in 1986.

Business Forms & Envelopes

The Business Forms and Envelopes Division had achieved sales gains of 13 percent in fiscal 1986. [illegible] improved its gross margin and returned to more acceptable levels of profitability. [illegible] Business Forms [illegible] the added capacity and printing capabilities of the newly installed [illegible] press.

Executive Appointments

In July 1986 the Board appointed Edwin C. Phillips Vice Chairman of the Board in addition to his position as Chairman of the Executive Committee. Mr. Phillips is a former Chairman of Westcoast Transmission Company Limited and is the newly named Chairman of British Columbia [illegible] Investment Corporation. [illegible] Belkin was appointed Assistant to the President in addition to his position as President of Belkin Paper Stock Inc. and a member of the Executive Committee.

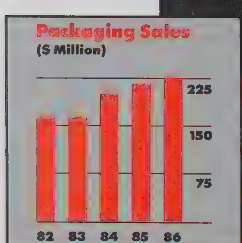
The past year also saw the appointment of Douglas J. McKinnon as Vice President and Chief Financial Officer from Vice President of Finance and John H. Kuhn as Vice President, Papermills.

Looking Ahead

The long-term outlook is very positive. Important gains were made in 1986 which reflect the success of our product [illegible] cost reduction and quality improvement programs as well as our commitment to expansion in both Canadian and American markets.

[illegible] markets are predominantly [illegible] volume with popula[illegible]

PACKAGING OPERATIONS



non-government [illegible] consumer goods. [illegible] and the executive [illegible] operations [illegible] management has been [illegible].

To develop [illegible] profitability, the assets with superior performance will be exploited while the assets with [illegible] levels of return will be improved [illegible]. At the same time, the company will do more of what it does best in order [illegible] Because of Belkin's [illegible] of the principal markets served, it is [illegible] that future manufacturing [illegible] in the United States will be based upon vertical integration, [illegible] the company's pre-eminence in Canada.

With the [illegible] of our first market offering of shares to the public we now have the financial strength and broad investor support to move forward with our programs and [illegible] opportunities as developed. On behalf of the Directors, my thanks go to all shareholders old and new, for this [illegible] commitment.

Morris Belkin

Morris Belkin
Chairman of the Board

Vancouver, B.C.
December [illegible], 1996.

CANADA'S LARGEST PAPERBOARD PACKAGER, SOMERVILLE BELKIN, CELEBRATED ITS CENTENNIAL ANNIVERSARY MARKING 100 YEARS OF SERVICE TO THE COUNTRY'S LEADING CONSUMER GOODS MANUFACTURERS.

The Brockville plant (left) produces many of North America's most sophisticated folding cartons, printed on the 8-color rotogravure press pictured below.

Somerville Belkin has earned its place as Canada's largest paperboard packager with award-winning work like the famous Ovaltine box (left) and the Molson dispenser pack (top right).

Consolidated Balance Sheet

	1986	1985
Assets		
[illegible]	$ 54,870	$ 54,466
[illegible]	57,112	57,540
[illegible]	2,043	2,023
	114,025	[illegible]
[illegible]	10,675	[illegible]
[illegible]	142,995	[illegible]
[illegible]	7,814	[illegible]
	$275,509	$281,234
Liabilities and Shareholders' Equity		
[illegible]	$ 2,929	$ 20,951
[illegible]	36,686	[illegible]
[illegible]	2,664	3,500
[illegible]	991	160
[illegible]	12,107	6,279
	55,377	65,549
[illegible]	88,936	120,589
[illegible]	42,390	38,144
[illegible]	593	602
[illegible]	88,213	56,350
	$275,509	$281,234

Stuart Belkin

Consolidated Statement of Income

Year Ended September 30

	1986	1985
	(in thousands of dollars)	
Sales	$382,875	$367,139
Cost of sales and operating expenses	304,054	291,877
	78,821	75,262
Other expenses		
Selling and administrative	29,499	28,416
Interest on long-term debt	13,594	14,832
Other interest	1,136	2,623
Depreciation and amortization	12,231	11,815
	56,460	57,686
Income from operations	22,361	17,576
Other income		
Equity in net income of 50% ownec [illegible] npanies	295	619
Other	480	27
	775	646
	23,136	18,222
Income taxes (note 10)		
Current	7,181	4,848
Deferred	3,778	2,52[illegible]
	10,959	7,368
Income before extraordinary items	12,177	10,854
Extraordinary items		
Gain on sale of plastics division (n[illegible]t of incon[illegible] taxes of $724,000)	1,105	—
Write-down of investment	—	[illegible]
	1,105	(795)
NET INCOME	$ 13,282	$ 10,059
INCOME FROM OPERATIONS before depreciation and amortization	$ 34,592	$ 29,391
EARNINGS PER COMMON SHARE AND NON-VOTING SHARE		
Before extraordinary item	$1.23	$1.22
After extraordinary item	$1.36	$1.12

Consolidated Statement of Changes in Financial Position

	1986	1985
	(in thousands of dollars)	
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Income before extraordinary items	$12,177	$10,854
Items not involving cash		
Depreciation and amortization	12,231	11,815
Deferred income taxes	3,778	2,520
Equity in net income in 50% owned companies over dividends received	(295)	(419)
Other	(480)	(27)
	27,411	24,743
Cash derived from operating working capital	2,082	3,315
Foreign currency adjustment	42	126
	29,535	28,184
FINANC[illegible]		
[illegible]	35,572	—
[illegible]	9,692	4,377
[illegible]	(35,494)	(4,907)
[illegible]	(12,569)	(3,697)
[illegible]	(4,677)	(2,468)
[illegible]	(226)	(722)
	(7,702)	(7,417)
[illegible]		
Additions to fixed assets	(8,388)	(10,919)
[illegible]	4,215	108
[illegible]	392	(7)
	(3,781)	(10,818)
DECREASE IN BANK ADVANCES	18,052	9,949
Bank advances at beginning of year	20,981	30,930
BANK ADVANCES AT END OF YEAR	$ 2,929	$20,981

Consolidated Statement of Retained Earnings

Year Ended September 30

	1986	1985
	(in thousands of dollars)	
Balance at beginning of year	$32,452	$24,861
Net income	13,282	10,059
	45,734	34,920
Less		
Dividends		
Preference shares	1,215	1,517
Common and non-voting shares	3,462	951
Costs of issuing non-voting shares (net of income taxes of $1,067,000)	1,281	—
Redemption of preference shares	2,485	—
	8,443	2,468
BALANCE AT END OF YEAR	$37,291	$32,452

Auditors' Report

To the Shareholders of Belkin Inc.

We have examined the consolidated balance sheet of Belkin Inc. as at September 30, 1986 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
November 7, 1986

Thorne Ernst & Whinney
Chartered Accountants

Year ended September 30, 1986

1. Basis of Presentation

On October 1, 1985, Keycorp. Industries Limited amalgamated under the laws of British Columbia with two of its subsidiary companies, Belkin Packaging Ltd. and Pioneer Envelopes Ltd., to form Belkin Inc. The preference shareholders of Belkin Packaging Ltd. and Keycorp Industries Limited received preference shares of Belkin Inc. on a share-for-share exchange basis. These shares have the same special rights and restrictions as were attached to the preference shares which they formerly held. The common shareholders of Keycorp Industries Limited received four common shares of Belkin Inc. for each common share which they held.

These financial statements reflect the financial position of the Company and the results of its operations and the changes in its financial position as if the companies had always been amalgamated.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The Company owns 100% of the outstanding voting shares of the subsidiary companies.

(b) Inventories

Inventories are valued using the first-in first-out method. Raw materials and supplies are valued at the lower of cost and replacement cost. Work-in-process and finished goods are valued at the lower of cost and net realizable value.

(c) Fixed Assets and Depreciation

Fixed assets are stated at cost, which for major expansion projects includes interest on funds borrowed for construction for the period prior to commencement of commercial production. Fixed assets are depreciated on a straight-line basis from commencement of commercial production at rates which reflect estimates of the economic life of the assets.

(d) Unallocated Purchase Price of Shares in Subsidiary Companies

The excess of the amount of investment in the subsidiary company over the amounts allocated to tangible assets is being amortized on a straight-line basis over a period of forty years.

(e) Deferred Charges

The Company follows the practice of deferring costs such as pre-production, financing and costs related to the consolidation of operations, and amortizes these costs on a straight-line basis, with terms ranging from five to twenty years.

(f) Foreign Currencies

Monetary assets and liabilities of the Company in foreign currencies, as well as financial statements of foreign operations which are self-sustaining, are translated at the current rate of exchange. Income statement items are translated at average exchange rates for the year.

Gains and losses from exchange translations are included in the consolidated statement of income, with the following exceptions:

(i) Gains and losses from translation of long-term debt are deferred and amortized over the remaining term of the debt.

(ii) Gains and losses from translation of self-sustaining foreign operations form part of the change in the foreign currency adjustment components of shareholders' equity. These adjustments are not included in income until realized through a reduction in the Company's net investment.

(g) Investment Tax Credits

Effective October 1, 1985 the Corporation adopted the cost reduction method of accounting for investment tax credits. This change, which was made prospectively, had no material effect on earnings for 1986 and, with the planned modification of the investment tax credit program, is not expected to have a material effect on earnings in the future.

3. Inventories

	1986	1985
	($000)	($000)
Raw materials and supplies	$26,990	$26,285
Work-in-process	7,767	7,827
Finished goods	22,355	23,428
	$57,112	$57,540

4. Investments

	1986	1985
	($000)	[illegible]
[illegible]	$ 6,506	[illegible]
[illegible]	3,761	[illegible]
[illegible]	408	[illegible]
	$10,675	[illegible]

5. Fixed Assets

	1986			1985
	Cost	Accumulated Depreciation	Net Book Value	[illegible]
[illegible]	$ 11,729	$ —	$ 11,729	[illegible]
[illegible]	38,085	6,984	31,101	[illegible]
[illegible]	149,630	49,465	100,165	[illegible]
	$199,444	$56,449	$142,995	[illegible]

[illegible]

6. Other Assets

	1986	1985
	($000)	[illegible]
[illegible]	$4,227	[illegible]
[illegible]	1,865	[illegible]
[illegible]	1,722	[illegible]
	$7,814	[illegible]

7. Long-Term Debt and Bank Advances

	1986	1985
	($000)	[illegible]
[illegible]	$ 5,298	[illegible]
[illegible]	20,000	[illegible]
[illegible]	27,514	[illegible]
[illegible]	20,575	[illegible]
[illegible]	—	[illegible]
[illegible]	7,295	[illegible]
[illegible]	—	[illegible]
[illegible]	607	[illegible]
[illegible]	2,484	[illegible]
[illegible]	1,025	[illegible]
[illegible]	16,245	[illegible]
	101,043	[illegible]
[illegible]	12,107	[illegible]
	$ 88,936	[illegible]

A $6,750,000 bank term loan is unsecured. All other bank term loans, debentures, the industrial revenue bonds, and current bank advances are secured by fixed and floating charges on the assets of the Company.

Bank term loans of $41,339,000 are repayable in equal quarterly instalments to 1994. The remaining bank term loan of $6,750,000 is repayable in equal annual instalments of $1,350,000.

The Company has utilized interest rate swaps to effectively establish long-term fixed interest rates on variable rate debt. At September 30, 1986 the Company had interest rate swap agreements establishing fixed rates on $45,843,000 of bank term loans, with an average maturity of five years. The effective interest rate on all swap agreements outstanding at year end was 12.8%.

The principal due on long-term debt, other than obligations related to capital leases within each of the next five fiscal years is:

	($000)
1987	$10,783
1988	10,253
1989	10,580
1990	9,816
1991	9,945

8. Shareholders' Equity

Share capital

Authorized

6,191	Class B preference shares, cumulative at 52% of banks' prime rate plus 2½%, redeemable at $1,000 per share at 5% per annum on a declining balance basis to 1989 with balance due in 1990
5,790	Class C preference shares, 8% cumulative, redeemable at $100 per share
90,000	Class D preference shares, 10% cumulative, redeemable at $100 per share
20,000,000	Class E preference shares without par value, issuable in series
16,000,000	Common shares without par value
16,000,000	Non-voting shares without par value

	1986	1985
	($000)	($000)
Issued		
Class A (1985, 25,100 shares)	—	$ 25
Class B, 5,881 shares (1985, 6,191 shares)	$ 5,881	6,191
Class C (1985, 57,905 shares)	—	579
Class D (1985, 90,000 shares)	—	9,000
Common shares, 7,568,032 shares (1985, 7,603,332 shares)	7,716	7,848
Non-voting shares, 2,343,300 shares	36,979	—
	50,576	23,643
Retained earnings	37,291	32,452
Foreign currency adjustment	346	255
	$88,213	$56,350

During the year, the Company issued an additional 2,300,000 non-voting shares for net proceeds of $35,524,000. In addition, 43,300 common shares were converted into non-voting shares. The common and non-voting shares participate equally in income and dividends. The 310 Class B preference shares, 5,790 Class C preference shares and 90,000 Class D preference shares were redeemed at par value. The Class A preference shares were redeemed at their stated redemption price of $100 per share, being an amount equal to the original proceeds of the issue of the shares, and the class was then cancelled.

Subsequent to the year end the Company redeemed 3,869 of its Class B preference shares at par value.

As at September 30, 1986 the Company had options outstanding to certain directors to purchase 56,000 common shares of Belkin Inc. at an option price of $5.90 per share representing the average trading price of the shares immediately before the granting of the option. These options expire on December 31, 1989. During the year, an option to purchase 8,000 common shares granted under these options was exercised.

9. Commitments

(a) Future minimum payments, by year, under the capital leases and non-cancelable operating leases at September 30, 1986 are as follows:

	Capital Leases	Operating Leases
1987	$ 3,688	$1,688
1988	3,533	1,394
1989	3,358	1,124
1990	3,048	467
1991	3,205	613
	16,832	
Due in subsequent years	7,267	
Due in aggregate	24,099	
Interest included in minimum lease payments	7,854	
	$16,245	

(b) The estimated unfunded pension liability for past services was $5,437,000 at September 30, 1986. The Company is funding this liability by additional annual contributions up to 1999 to be charged against earnings as they are made.

10. Income Taxes

The effective income tax rate differs from the aggregate statutory income tax rate in Canada. The principal factors causing this difference are as follows:

	1986	**1985**
Combined federal and provincial income tax rates (net of manufacturing and processing allowance)	45.4%	44.00%
Inventory allowance	(1.1)	(4.3)
Investment tax credits	—	(2.3)
Other	3.1	2.9
Effective income tax rate	47.4%	40.3%

11. Segmented Information

The Company and its subsidiaries operate predominantly in the paperboard packaging industry. Export sales for the year were $29,082,000.

12. Comparative Figures

Certain 1985 comparative figures have been reclassified to conform with the presentation adopted in 1986.

Board of Directors

Mr. Morris Belkin
Vancouver, B.C.

Mr. A. Stuart Belkin
Vancouver, B.C.

Mr. Lorenzo N. Hoopes*
Oakland, CA

Mr. M. Joseph Kelly
Vancouver, B.C.

Mr. Robert F. Krause
Toronto, Ont.

Mr. Douglas J. McKinnon
Surrey, B.C.

Mr. William E. Mastbaum
Chicago, IL

Mr. C.R. Laurence Peers*
Vancouver, B.C.

Mr. Edwin C. Phillips*
Vancouver, B.C.

*Member of Audit Committee

Corporate Information

Officers & Executive Management

Morris Belkin
Chairman of the Board
President & Chief Executive Officer

Edwin C. Phillips
Vice Chairman

A. Stuart Belkin
Assistant to the President
President, Belkin Paper Stock Inc.

Robert B. Cannon
Vice President, Packaging West
Somerville Belkin Industries Limited

W. Ernest Doyle
Controller and Secretary
Somerville Belkin Industries Limited

C. Ross Graham
Vice President, Packaging East
Somerville Belkin Industries Limited

M. Joseph Kelly
Vice President
Keystone Business Forms Division

Robert F. Krause
President & Chief Executive Officer
Somerville Belkin Industries Limited

John H. Kuhn
Vice President, Papermills

Douglas J. McKinnon
Vice President
Chief Financial Officer
Secretary

William E. Mastbaum
President
Belkin Packaging of America Inc.

Gordon C. Pow
Corporate Comptroller

Thomas C. Shea
Senior Vice President, Packaging Group
Somerville Belkin Industries Limited

Thomas E. White
Senior Vice President, Industrial Relations
Somerville Belkin Industries Limited

Transfer Agent & Registrar

The Canada Trust Company
Vancouver, B.C.

Auditors

Thorne Ernest & Whinney
Vancouver, B.C.

Share Listing

Toronto, Montreal, Vancouver Stock Exchanges
Symbol: BKN

Subsidiary Companies

Active:
Belkin Packaging of America Inc.
Belkin Paper Stock Inc.
Somerville Belkin Industries Limited
Inactive:
Belkin Industries Inc.
Belkin Paperboard Ltd.
Community Paper Recycling Ltd.
Metro Paper Recycling Ltd.
National Paper Box Limited

Annual Meeting

Friday, January 23, 1987
10:00 a.m.
Garibaldi Room
Four Seasons Hotel
Vancouver, B.C.

Belkin Inc.

Head Office:
8255 Wiggins Street, Burnaby, B.C.

Mailing Address:
P.O. Box 8930, Vancouver, B.C. V6B 4P5